



A REPORT
TO THE
MONTANA
LEGISLATURE

LEGISLATIVE AUDIT
DIVISION

20-01B

FINANCIAL AUDIT

State of Montana

*For the Fiscal Year Ended
June 30, 2021*

MARCH 2022

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FINANCIAL AUDITS

Financial audits are conducted by the Legislative Audit Division to determine if the financial statements included in this report are presented fairly and the agency has complied with laws and regulations having a direct and material effect on the financial statements. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial audit staff members hold degrees with an emphasis in accounting and many staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by *Government Auditing Standards*. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2019, was issued March 30, 2020. The Single Audit Report for the two fiscal years ended June 30, 2021, will be issued by September 30, 2022.

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March 2022

The Legislative Audit Committee
of the Montana State Legislature:

This financial audit report contains our Independent Auditor's Report on the basic financial statements (BFS) and the Schedule of Expenditures of Federal Awards (SEFA) of the state of Montana for the fiscal year ended June 30, 2021. Personnel of the State Financial Services Division (SFSD) of the Department of Administration prepare the BFS. Personnel from the Governor's Office of Budget and Program Planning prepare the SEFA.

We issued an unmodified opinion on the SEFA in relation to the amounts presented in the BFS. We also issued unmodified opinions on the BFS, as described in the Independent Auditor's Report on page A-5. This means a reader can rely on the information presented in the BFS.

The report also contains our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements. *Government Auditing Standards* require we issue this report. The report includes three material weaknesses in internal controls, related to financial reporting of Unemployment Insurance activity at the Department of Labor and Industry (DLI), financial reporting of Pandemic Electronic Benefit Transfer activity at the Department of Public Health and Human Services (PHHS), and SFSD's controls over preparing the BFS. The report also includes a significant deficiency in internal controls, related to Montana State University and University of Montana controls over capital assets. Additionally, the report addresses material noncompliance for one retirement system that is not actuarially sound as required by the Montana Constitution and state law.

Lastly, the report contains one recommendation to the Department of Administration's SFSD related to internal controls over the BFS preparation process.

Department of Administration, Governor's Office, DLI, and PHHS officials reviewed the contents of this report. The Department of Administration's response is on page B-1, the Governor's Office response is on page B-3, the DLI response is on page B-4, and the PHHS response is on page B-5. Responses from Montana State University, University of Montana, and PERB are included in their respective separately issued audit reports (#21-11A, #21-10A, and #20-08B, respectively).

We thank the Department of Administration's director, the SFSD staff, and the Governor's Office staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

TABLE OF CONTENTS

Figures and Tables.....	iii
Elected, Appointed, and Administrative Officials.....	iv
Report Summary	S-1
CHAPTER I – INTRODUCTION AND BACKGROUND	1
Introduction	1
CHAPTER II – FINDING AND RECOMMENDATION	5
Internal Controls Over Financial Reporting	5
Double Recorded Activity	6
Incomplete Allowance for Doubtful Accounts and Bad Debt Expense Adjustments.....	6
Statement of Cash Flows Reporting	7
Summary	8
INDEPENDENT AUDITOR’S REPORT, BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A-1
Independent Auditor’s Report	A-5
Management’s Discussion and Analysis	A-9
Statement of Net Position.....	A-22
Statement of Activities.....	A-24
Balance Sheet Governmental Funds	A-26
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	A-28
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	A-30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-32
Statement of Fund Net Position-Proprietary Funds	A-33
Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds	A-35
Statement of Cash Flows-Proprietary Funds	A-36
Statement of Fiduciary Net Position-Fiduciary Funds.....	A-38
Statement of Changes in Fiduciary Net Position-Fiduciary Funds.....	A-39
Notes to the Financial Statements.....	A-40
Budgetary Comparison Schedule-General and Major Special Revenue Funds.....	A-162
Notes to the Required Supplementary Information	
Budgetary Reporting.....	A-164
Pension Plan Information.....	A-166
Other Postemployment Benefits Plan Information (OPEB).....	A-181
Risk Management Trend Information	A-185
Schedule of Expenditures of Federal Awards.....	A-188
Notes to the Schedule of Expenditures of Federal Awards	A-230

STATE RESPONSES

Department of Administration	B-1
Governor’s Office of Budget and Program Planning	B-3
Department of Labor and Industry.....	B-4
Department of Public Health and Human Services.....	B-5

FIGURES AND TABLES

Tables

Table 1	Summary of Financial Statements and Related Opinion Units Contained in the State's Basic Financial Statements	2
Table 2	Select UI Financial Activity for the Fiscal Year Ended.....	5
Table 3	Changes in Select UI Statement of Cash Flow Line Items	8

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State of Montana

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

BACKGROUND

The Department of Administration (department) prepares the Basic Financial Statements (BFS) for the state of Montana. The BFS provide legislators, citizens, and other interested parties with a summary of the state's overall financial position as of June 30, 2021, as well as financial information on all operations and activities of state government for the fiscal year.

The Governor's Office of Budget and Program Planning prepares the Schedule of Expenditures of Federal Awards (SEFA), as required by federal regulation. The SEFA reports total federal grant expenditures for the fiscal year ended June 30, 2021, of approximately \$6.54 billion, including noncash assistance amounts and loan amounts for certain programs.

The state's General Fund reports an ending fund balance of \$856.3 million as of June 30, 2021, which is an approximate \$263.5 million, or 44 percent, increase from the prior year-end. The overall increase is attributed, in part, to strong tax collections during the fiscal year. In fiscal year 2021, the state also saw a large increase in federal revenues and related expenditures due to federal programs established in response to the coronavirus public health emergency. Unspent funds, related to emergency rental assistance and American Rescue Plan Act (ARPA), are reported as cash and cash equivalents and unearned revenue in the Federal Special Revenue Fund. This report contains one recommendation to the Department of Administration related to strengthening internal controls over the preparation of the Basic Financial Statements (BFS). The department's controls did not prevent, or detect and correct, several multimillion-dollar errors in Unemployment Insurance Enterprise Fund activity reported in the BFS.

AUDITOR'S OPINIONS (page A-5): UNMODIFIED

We found the state's BFS present fairly the activity of the state of Montana and its component units, in all material respects in relation to requirements in Generally Accepted Accounting Principles (GAAP). This means a reader can rely on the information presented in the BFS contained in this report.

We also determined the Schedule of Expenditures of Federal Awards (SEFA) is reasonable in relation to amounts reported in the state's BFS.

See the financial statements and notes beginning on page A-9 for the full context of the state's financial activity. See also the SEFA beginning on page A-188.

RECOMMENDATIONS:

In this report, we issued the following recommendations:

To the department: 1

To the legislature: 0

There were no recommendations in the prior audit report.

RECOMMENDATION #1 (page 9):

Internal Control

The Department of Administration State Financial Services Division's internal controls were ineffective in preventing, or detecting and correcting, several multimillion-dollar errors in the activity reported for the Unemployment Insurance enterprise fund, prior to the BFS being provided for audit. While the errors were corrected, controls should be improved.

Department response: **Concur**

(continued on back)

For the full report or more information, contact the Legislative Audit Division.

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SUMMARY OF AUDIT WORK:

Our audit work included obtaining and evaluating the results of agency audits, as well as analyzing financial data, performing testing of the adjustments and corrections made to the state's accounting records, and reviewing the financial statements and note disclosures to determine whether they were supported and presented in accordance with GAAP.

Additionally, we performed procedures to determine the reasonableness of the SEFA in relation to amounts presented in the state's BFS. These procedures included tying amounts on the SEFA back to the amounts in the state's accounting records, reviewing the note disclosures to determine whether they were completed and supported, and ensuring the SEFA's presentation aligns with federal regulations.

REPORT ON INTERNAL CONTROL AND COMPLIANCE (page B-1):

In this report, we identified the following:

Material Weaknesses in Internal Control: 3

Significant Deficiencies in Internal Control: 1

Material Non-Compliance: 1

Other Matters: 0

For the full context of this information, including the distinction between the types of items reported, see the report beginning on page A-1.

The material noncompliance included in the Report on Internal Control and Compliance is associated with the Game Wardens' and Peace Officers Retirement System's actuarial soundness and is included in the Public Employees' Retirement Board (#20-08B) audit report.

The material weaknesses in internal controls are associated with:

- ◆ Department of Administration's internal controls over preparing the BFS, related to the Unemployment Insurance enterprise fund activity. This weakness is related to Recommendation #1 above.
- ◆ Department of Labor and Industry's (DLI) internal controls over financial reporting, related to Unemployment Insurance activity. This weakness is briefly discussed in Chapter I of the current State of Montana (#20-01B) report, and the recommendation will be made to DLI in a separate (#21-15) report.
- ◆ Department of Public Health and Human Service's (PHHS) internal controls related to ensuring federal program expenditures are separately identifiable in the accounting records and appropriately presented on the SEFA. This weakness is briefly discussed in Chapter I of the current State of Montana (#20-01B) report, and the recommendation will be made to PHHS in a separate (#21-14) report.

The significant deficiency in internal controls is related to controls over capital assets at Montana State University and University of Montana. When aggregated, the deficiencies reported in the Montana State University (#20-11A) and University of Montana (#20-10A) audit reports associated with capital assets are significant deficiencies at the state-wide level.

Chapter I – Introduction and Background

Introduction

We conducted a financial audit of the state of Montana's basic financial statements (BFS) for the fiscal year ended June 30, 2021. The objectives of the audit were to:

1. Determine whether the BFS are presented fairly in accordance with Generally Accepted Accounting Principles (GAAP) and determine the reasonableness of the state's Schedule of Expenditures of Federal Awards (SEFA) in relation to the state's BFS.
2. Obtain an understanding of the internal control structures to the extent necessary to support the audit of the financial statements and, where necessary, make recommendations for improvement in the state's management and internal controls.
3. Prepare the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on our audit of the state of Montana's BFS for the fiscal year ended June 30, 2021, as required by *Government Auditing Standards*. This report is prepared based on the results of this audit and all other audits.

The Department of Administration (department) prepares the BFS for the state of Montana. To prepare the BFS, the department uses financial data from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) used by all agencies. Department personnel adjust the SABHRS data to present the financial activity in accordance with GAAP. Adjustments include, but are not limited to, corrections of errors and eliminating internal balances that roll together for presentation purposes. Additionally, the department obtains and incorporates information into the BFS from separately issued and audited financial statements of its component units and stand-alone programs like the programs at the Board of Investments.

To address the objectives above, we focused our audit efforts on analyzing financial data, testing the adjustments and corrections made to SABHRS, and reviewing the financial statements and note disclosures to determine whether they were supported and presented in accordance with GAAP. We also evaluated the results of completed agency audits and compared information in the BFS to separately issued and audited financial statements of the state's component units and stand-alone programs. Additionally, we performed procedures to determine the reasonableness of the SEFA, as prepared by the Governor's Office of Budget and Program Planning (OBPP), in relation to the amounts presented in the BFS and requirements in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Because of the unique nature of governmental financial reporting, we use an opinion unit concept in performing our audit. This concept separates the activity contained in the BFS into 11 separate portions which are individually audited and evaluated by our audit team. The opinion units are related to the type of financial statements included in the BFS and the state's determination of major funds in accordance with GAAP requirements. Table 1 (see page 2) summarizes the types of financial statements in the BFS and the related opinion units and provides a reference to their location in this report.

Table 1
**Summary of Financial Statements and Related Opinion Units Contained in the
 State's Basic Financial Statements**

Type of Financial Statement	Financial Statement Titles	Page # in this Report	Related Opinion Units
Government Wide	Statement of Net Position; Statement of Activities	A-22 A-24	Governmental Activities (1) Business Type Activities (2) Discretely Presented Component Units (3)
Fund Financial	Governmental Funds Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	A-26 A-30	General Fund (4) State Special Revenue Fund (4) Federal Special Revenue Fund (4) Land Grant Permanent Fund (4) Coal Tax Permanent Fund (4) Unemployment Insurance enterprise fund (5) Municipal Finance Program enterprise fund (5) Remaining Fund Information (6)
	Proprietary Fund Statement of Fund Net Position; Statement of Revenues, Expenses, and Changes in Fund Net Position; Statement of Cash Flows	A-33 A-35 A-36	
	Fiduciary Fund Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Net Position	A-38 A-39	

SOURCE: Compiled by Legislative Audit Division.

- (1) In general, the Governmental Activities are those supported by fees, taxes, and intergovernmental revenues. For example, the General Fund activities are a portion of the Governmental Activities opinion unit.
- (2) Business Type Activities are those supported by fees and charges for services. For example, the Unemployment Insurance enterprise fund activities are a portion of the Business-Type Activities opinion unit.
- (3) The state's component units presented in the Component Unit opinion unit are Montana State Fund, Montana State University, University of Montana, Facility Finance Authority, and the Board of Housing.
- (4) These opinion units are presented as individual columns in the Governmental Fund Financial Statements.
- (5) These opinion units are presented as individual columns in the Proprietary Fund Financial Statements.
- (6) This opinion unit is comprised of the nonmajor columns in the Governmental and Proprietary Fund Financial Statements and the entirety of the Fiduciary Fund Financial Statements.

We issued unmodified opinions on the 11 opinion units included in the BFS, as described in the Independent Auditor's Report on page A-5. Unmodified opinions mean the readers of the BFS can rely on the information presented. We also issued an unmodified opinion on the SEFA in relation to the amounts presented in the BFS.

In our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements on page A-1, we report several items, discussed in greater detail below. Chapter II – Findings and Recommendations only includes a recommendation to the Department of Administration for the item below that applies to their specific control structure for preparing the BFS.

- ♦ Material noncompliance for one retirement system that is not actuarially sound as required by the Montana Constitution and state law. The Public Employees' Retirement Board (#20-08B) audit report discloses this retirement system's noncompliance.

- ◆ A material weakness in internal controls over financial reporting, related to the Department of Administration's preparation of the BFS. The related recommendation to the department is reported in this audit report. See Chapter II for more information, including the recommendation we are making to the department.
- ◆ A material weakness in internal controls over financial reporting at the Department of Labor and Industry (DLI). DLI's internal controls over financial reporting were not sufficient to detect and correct misstatements in relation to its Unemployment Insurance activity prior to the state's accounting records closing at fiscal year-end. As a result, there were several multimillion-dollar misstatements in the agency's accounting records in fiscal year 2021. The related recommendation to DLI will be included in the current financial-compliance audit of the department (#21-15). Because that report is not yet published, page B-4 of this report includes DLI's response to the control deficiency reported on page A-1.
- ◆ A material weakness in internal controls over financial reporting at the Department of Public Health and Human Services (PHHS). Pandemic-Electronic Benefit Transfer (P-EBT) federal program expenditures were co-mingled with Supplemental Nutrition Assistance Program (SNAP) federal program expenditures in the PHHS accounting records, resulting in approximately \$27 million of expenditures of the Pandemic-EBT program initially being reported as SNAP program expenditures on the SEFA. Reporting program expenditures in the incorrect federal assistance listing on the SEFA increases the risk of improper identification of major federal programs requiring audit attention under the Single Audit Act of 1996 and Uniform Guidance. While OBPP corrected the error on the SEFA, there is room for improvement in internal controls at PHHS. The related recommendation to PHHS will be included in the current financial-compliance audit of the department (#21-14). Because that report is not yet published, page B-5 of this report includes PHHS's response to control deficiency reported on page A-1.
- ◆ A significant deficiency in internal controls related to accounting and financial reporting of capital assets at Montana State University and University of Montana. The related recommendations to the universities, and their responses to the findings, are included in the Montana State University (#21-10A) and University of Montana (#21-11A) audit reports.

Chapter II – Finding and Recommendation

Internal Controls Over Financial Reporting

The Department of Administration State Financial Services Division's internal controls were ineffective in preventing, or detecting and correcting, errors in the Unemployment Insurance enterprise fund activity presented within the state's basic financial statements.

The Department of Administration (department) prepares the basic financial statements (BFS) for the state of Montana. State law requires the department to follow Generally Accepted Accounting Principles (GAAP). To prepare the BFS, personnel in the department's State Financial Services Division (SFSD) use financial data from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) used by all agencies, and record adjustments as necessary for corrections of errors made by agencies and to present the BFS in accordance with GAAP. State accounting policy requires department management to establish internal control policies and procedures designed to ensure the accuracy and reliability of financial data, including information in the BFS.

Our audit work identified several multimillion-dollar errors in the Unemployment Insurance (UI) enterprise fund information presented in the BFS. These errors are discussed in greater detail below and indicate room for improvement in SFSD procedures for preparing the BFS. Overall, we noted SFSD's processes for preparing the BFS did not accommodate or fully contemplate the significant fluctuations in UI enterprise fund financial activity resulting from the coronavirus public health emergency. The Department of Labor and Industry (DLI) received an influx in federal funding through the UI program for new, expanded benefits, in response to COVID. Table 2 below provides a summary of UI enterprise fund financial activity with significant changes as a result of the new federal funding.

Table 2
Select UI Financial Activity for the Fiscal Year Ended June 30
(Amounts in Thousands)

	2019	2020	2021
Receivables			
Receivables for Contributions/Premiums	\$5,387	\$6,068	\$5,634
Receivables for Benefit Overpayments	\$2,279	\$2,129	\$28,466
Allowance for Doubtful Accounts	(\$2,928)	(\$3,719)	(\$7,289)
Due from Federal Government	\$43	\$16,745	\$406
Long-Term Receivables, Net (1)	\$507	\$2,266	\$33,906
Accounts Payable	\$1,741	\$29,005	\$46,953
Federal Non-Operating Grant Revenues (COVID-related)	\$0	\$496,499	\$549,316
Benefit Expenditures	\$108,507	\$745,250	\$714,367
Other Operating Expense - Bad Debt Expense	\$0	\$1,258	\$14,109

SOURCE: Compiled by Legislative Audit Division from SFSD records.

(1) Associated primarily with benefit overpayments in FY2021.

Double Recorded Activity

As noted on page 3, internal controls at DLI were ineffective in ensuring all UI-related financial activity was recorded on SABHRS at fiscal year-end. DLI personnel notified SFSD personnel of the errors on SABHRS. SFSD personnel recorded several large adjustments to the UI enterprise fund's accounting records as part of preparing the BFS. One of the necessary adjustments increased cash and federal revenues in the fund by approximately \$26.3 million.

As part of a separate process completed while preparing the BFS, SFSD written procedures directed staff to review the fiscal year-end cash reconciliation of the UI enterprise fund cash on SABHRS to the state's cash balance in the U.S. Treasury. The written procedures directed personnel to adjust cash and accounts payable for the reconciling items, without considering the nature of the reconciling items. For fiscal year 2021, there were approximately \$34 million in reconciling items, the largest of which was the \$26.3 million in federal revenues and cash that were not recorded on SABHRS at fiscal year-end. SFSD personnel did not consider the nature of the reconciling items or identify that they previously adjusted the accounting records for \$26.3 million of the \$34 million, and recorded the adjustment as directed by written procedures. As a result, the BFS provided to us for audit purposes included a \$26.3 million overstatement of cash and accounts payable in the UI enterprise fund.

Department personnel indicated their preliminary review procedures did not identify the overstated accounts, partly due to the volatility of activity in the UI enterprise fund caused by the coronavirus public health emergency. They also believed additional review procedures, completed later in their process, would have identified the error. Regardless of whether additional procedures later in the process would have identified the error, controls should be in place and operating effectively prior to the audit process.

Incomplete Allowance for Doubtful Accounts and Bad Debt Expense Adjustments

DLI's UI enterprise fund accounting records at fiscal year-end also contained errors in the allowance for doubtful accounts and bad debt expense related to accounts receivable for benefit overpayments. SFSD recorded adjustments to SABHRS for these errors based on preliminary adjusting entries in DLI's accounting records, but did not realize DLI's adjustments were not yet finalized. Per SFSD personnel, when DLI finalized their analysis, the dollar amounts changed. As a result, SFSD's adjusting entries were for incorrect amounts and the BFS provided for audit contained errors. Specifically:

- ◆ Bad debt expense was overstated by approximately \$12.65 million.
- ◆ Allowance for doubtful accounts, current portion, was overstated by approximately \$2.30 million.
- ◆ Allowance for doubtful accounts, noncurrent portion, was understated by approximately \$14.99 million.
- ◆ Net position was understated by approximately \$12.65 million.

We identified these errors as part of our normal audit process and communicated them to SFSD. While SFSD subsequently corrected the errors, controls should be enhanced to ensure correcting entries made for agency errors are based on complete and accurate information.

Statement of Cash Flows Reporting

We also identified several errors in the Statement of Cash Flows (SCF) for the UI enterprise fund. The initial SCF provided for audit included the effect of the errors in cash and accounts payable previously discussed, and therefore required modification by SFSD personnel. In each of the next two versions of the SCF provided for audit, we identified multiple errors in the activity presented for the UI enterprise fund. Errors ranged from approximately \$6.5 million to \$87.8 million and impacted multiple lines on the financial statement.

Based on our review of SFSD's workpapers for preparing the SCF, we determined their processes did not consider the nature of the cash activity associated with various asset and liability accounts, and which revenue and expense streams are affected by changes in the asset and liability accounts. As examples:

- ♦ The procedures presumed the accounts payable at June 30, 2020, were paid in fiscal year 2021, as payments to suppliers for goods and services. In reality, the accounts payable in the fund are primarily related to benefits owed to UI recipients at fiscal year-end. It would have been more appropriate to consider the change in accounts payable when determining the amount to report as cash payments for claims.
- ♦ The procedures presumed a majority of the accounts receivable in the fund were attributed to employer contribution revenues. In reality, the significant accounts receivable in the fund are associated with benefit overpayments and it would have been more appropriate to consider the change in receivables when determining the amount to report as cash payments for claims.

As part of the normal audit process, we communicated our estimation of the errors in the third version of the SCF and discussed the basis for our conclusions on errors with SFSD personnel. SFSD personnel considered the information provided through this process and conducted independent research in determining the amounts reported in the final version of the SCF reported in the BFS. Table 3 (see page 8) summarizes select lines on the SCF for the UI enterprise fund, including the amounts reported on the first, second, and third versions of the SCF provided for audit, our estimation of the errors in the third version, and the final amounts SFSD reported after researching the errors communicated.

Table 3
Changes in Select UI Statement of Cash Flow Line Items
 (Amounts in Thousands)

Line Item	Version of the Statement of Cash Flows				
	Initial Version	Second Version	Third Version	Auditor Projected Amounts After Review of Third Version Support	Final Version
Cash Flows from Operating Activities					
Receipt from Sales and Service	\$137,939	\$137,939	\$71,240	\$123,019	\$123,601
Payments to Suppliers for Goods and Services	\$0	(\$26,312)	(\$31,626)	\$0	\$0
Grant Receipts (expenses)	\$23,282	\$23,282	\$24,057	\$8,066	\$7,504
Cash Payments for Claims	(\$724,998)	(\$724,998)	(\$677,663)	(\$770,598)	(\$765,477)
Other Operating payments	(\$26,751)	(\$26,751)	(\$6,448)	\$0	\$0
Cash Flows from Noncapital Financing Activities					
Grant Receipts and Federal Indirect Cost Recoverable	\$549,457	\$549,457	\$553,058	\$565,795	\$566,990

SOURCE: Compiled by Legislative Audit Division from SFSD records and auditor projections.

Summary

Auditing standards require us to evaluate whether the errors we identify in financial reporting as part of our audit are indicative of deficiencies in internal controls. Based on the extent, size, and nature of the errors identified, we believe there is material weakness in internal controls over financial reporting as indicated in our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements on page A-1. This material weakness is isolated to reporting for the Unemployment Insurance enterprise fund, which is presented in both the Government-Wide financial statements, in the Business-Type Activities column, and the Proprietary Fund financial statements, in the Unemployment Insurance column. While SFSD adjusted the BFS for the errors identified as part of the audit, SFSD's internal control procedures should be enhanced to allow management to prevent, or detect and correct, errors in the BFS before providing them to our office for audit.

RECOMMENDATION #1

We recommend the Department of Administration State Financial Services Division enhance internal controls to ensure:

- A. Staff consider the underlying nature of UI enterprise fund activity when preparing the basic financial statements, especially in years where the fund has new or unusual activity and*
 - B. Adjustments made for errors in agency accounting records do not duplicate adjustments made through other processes completed while preparing the basic financial statements and are appropriate to correct the errors.*
-

**Independent Auditor's Report,
Basic Financial Statements,
Required Supplementary Information, and
Schedule of Expenditures of Federal Awards**

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Legislative Audit Committee
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the state of Montana's basic financial statements, and have issued our report thereon dated March 4, 2022. Our report includes a reference to other auditors who audited the financial statements of the Montana State University component units and the University of Montana component units, as described in our report on the state of Montana's financial statements. The financial statements of the Montana State University component units and the University of Montana component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the state of Montana's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of the state of Montana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or

detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described below to be material weaknesses.

- ♦ The Department of Labor and Industry's (DLI) internal controls over financial reporting were not sufficient to detect and correct misstatements in relation to its Unemployment Insurance activity prior to the books closing at fiscal year-end resulting in several multimillion-dollar misstatements in the DLI's accounting records in fiscal year 2021. This deficiency affects the Business Type Activities Opinion Unit and the Unemployment Insurance opinion unit.
- ♦ Department of Administration State Financial Services Division's (SFSD) procedures for preparing the state's basic financial statements did not prevent, or detect and correct, errors in Unemployment Insurance enterprise fund activity. In attempting to correct the errors in the BFS caused by the errors in DLI's accounting records, SFSD personnel duplicated adjustments for Unemployment Insurance fund activity and recorded adjustments at incorrect amounts. Additionally, controls didn't prevent, or detect and correct, errors in amounts reported in the Statement of Cash Flows for the Unemployment Insurance enterprise fund. This deficiency affects the Business Type Activities Opinion Unit and the Unemployment Insurance Fund Opinion Unit.
- ♦ Pandemic-Electronic Benefit Transfer (P-EBT) federal program expenditures were co-mingled with Supplemental Nutrition Assistance Program (SNAP) federal program expenditures in the Department of Public Health and Human Services financial records, resulting in approximately \$27 million of the Pandemic-EBT program expenditures initially reported as SNAP program expenditures on the Schedule of Expenditures of Federal Awards (SEFA). Reporting program expenditures in the incorrect federal assistance listing in the SEFA increases the risk of improper identification of major federal programs requiring audit attention under the Single Audit Act of 1996 and Uniform Guidance.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below to be a significant deficiency.

- ♦ Internal controls over financial reporting at the University of Montana were not effective in ensuring accurately reported capital asset classifications in the university's financial statements and note disclosures. Additionally, Montana State University does not have sufficient internal controls in place to ensure the accuracy of capital asset-related information processed by their asset management information system. Collectively, we consider these issues to be a significant deficiency in internal controls affecting the Component Unit opinion unit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Montana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters

that are required to be reported under *Government Auditing Standards*. The identified instance of noncompliance is described below.

- ♦ The Montana Public Employees' Retirement Board administers eight defined benefit retirement plans. The Montana Constitution and state law require all retirement systems to be actuarially sound, meaning the retirement system must amortize in 30 years or less. The actuarial valuation as of June 30, 2021, indicates the Game Wardens' and Peace Officers Retirement System is not actuarially sound, as it amortizes in 35 years.

State of Montana's Response to Findings

The state of Montana's response to the findings identified in our audit are described in the separately issued Public Employees' Retirement Administration (#20-08B), University of Montana (#21-10A), and Montana State University (#21-11A) reports, and on pages B-1 through B-5 of this report. The responses in these reports were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the state of Montana's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the state of Montana's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

March 4, 2022

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the state of Montana's basic financial statements, as follows:

- ◆ Statement of Net Position
- ◆ Statement of Activities
- ◆ Balance Sheet—Governmental Funds
- ◆ Reconciliation of the Balance Sheet—Governmental Funds to the Statement of Net Position
- ◆ Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
- ◆ Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds to the Statement of Activities
- ◆ Statement of Fund Net Position—Proprietary Funds
- ◆ Statement of Revenues, Expenses, and Changes in Fund Net Position—Proprietary Funds
- ◆ Statement of Cash Flows—Proprietary Funds
- ◆ Statement of Fiduciary Net Position—Fiduciary Funds
- ◆ Statement of Changes in Fiduciary Net Position—Fiduciary Funds.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montana State University (MSU) component units and the University of Montana (UM) component units, which represent 17.29 percent, 32.47 percent, and 10.06 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented

component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the university component units, are based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the MSU and UM component units were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the state of Montana's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
General Fund	Unmodified
State Special Revenue Fund	Unmodified
Federal Special Revenue Fund	Unmodified
Land Grant	Unmodified
Coal Severance Tax	Unmodified
Unemployment Insurance	Unmodified
Municipal Finance Programs	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Aggregate Remaining Fund Information	Unmodified

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities and Business-Type Activities, General Fund, State Special Revenue Fund, Federal Special Revenue Fund, Land Grant, Coal Severance Tax, Unemployment Insurance, and Municipal Finance Programs major funds, and the aggregate discretely presented component units and aggregate remaining fund information of the state of Montana, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1C to the basic financial statements, in fiscal year 2021, the Unemployment Insurance Fund reported federal contributions to fund benefit claims related to the statewide unemployment impact of the coronavirus public health emergency. These federal contributions are reported as non-operating revenues. Additionally, the Federal Special Revenue Fund reports a significant increase in revenue and expenditure activity in fiscal year 2021, as a result of spending funds the state received from the Coronavirus Relief Fund, authorized by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act and other federal acts passed in response to the public health emergency. Lastly, the Federal Special Revenue Fund reports significant Cash & Cash Equivalent and Unearned Revenue balances, associated with funds received but not yet spent under the American Rescue Plan Act (ARPA). See Note 17 to the basic financial statements for more information on these ARPA funds. Our opinions are not modified with respect to these matters.

As discussed in Note 6 to the basic financial statements, retirement system investment rates of return were significantly higher in fiscal year 2021 than in fiscal year 2020. The Net Pension Liabilities reported in the basic financial statements at June 30, 2021, were measured as of June 30, 2020, and therefore do not reflect the strong investment performance from fiscal year 2021. The Net Pension Liabilities are expected to decrease for financial reporting in fiscal year 2022. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Pension Plan Information, the Other Postemployment Benefits (OPEB) Plan Information, and the Risk Management Trend Information, and the related notes, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Montana's basic financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2022, on our consideration of the state of Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the state of Montana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the state of Montana's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

March 4, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Management of the State of Montana (State) provides this *Management's Discussion and Analysis* of the State of Montana's basic financial statements included in the Annual Comprehensive Financial Report (ACFR). This is a narrative overview and analysis of the financial activities of the State of Montana for the fiscal year ended June 30, 2021. We encourage readers to consider this information in conjunction with the additional information that is furnished in the State's financial statements, which follow.

In late 2019, a novel strain of coronavirus ("COVID-19") started to spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and the President of the United States declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments (including the State), local governments, and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. In March of 2020, Montana declared a state emergency, and a national emergency was announced in the United States shortly after. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by the President of the United States on March 27, 2020. On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law to provide additional funding for state and local governments. On June 30, 2021, Montana ended the state emergency. In the following discussion and analysis, COVID-19 refers to this pandemic, CARES refers to the CARES Act funding, and ARPA refers to the American Rescue Plan Act funding.

FINANCIAL HIGHLIGHTS

Government-wide

The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2021 by \$11.0 billion compared with \$10.2 billion at the end of fiscal year 2020, representing a 7.5% increase in net position. Component units reported net position of \$2.5 billion at the end of fiscal year 2021 compared to \$2.2 billion at the end of fiscal year 2020, representing a 13.3% increase in net position. More detail is provided in the financial statement overview below.

Fund Level

As of the close of fiscal year 2021, the State's governmental funds reported combined ending fund balances of \$5.7 billion compared with \$5.0 billion at fiscal year 2020. This represents a \$700.4 million (14.1%) increase in total fund balance. Of the 2021 balance, \$2.0 billion is not in spendable form, primarily as permanent fund principal. Thus, \$3.7 billion is available for spending. The fund balance in spendable form is segregated by constraint as follows: \$1.2 billion restricted, \$1.7 billion committed, \$97.6 million assigned, and \$629.1 million unassigned. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

The State's business-type activity funds reported net position at the close of fiscal year 2021 in the amount of \$566.7 million compared with fiscal year 2020 net position of \$393.3 million. Of the 2021 business-type activity net position, \$21.4 million was reported as net investment in capital assets. Net position of \$545.3 million was in spendable form with \$24.6 million unrestricted and \$520.7 million restricted to expenditure for a specific purpose. This represents a \$174.0 million (46.9%) increase in spendable net position from the fiscal year 2020 balance of \$371.3 million. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

Long-term Debt

The State's total governmental activity bonds and notes payable for governmental activities increased by \$43.9 million, from \$127.4 million in fiscal year 2020 to \$171.3 million, a 34.5% increase in fiscal year 2021.

Further detail relating to the State's long-term debt is provided in *notes to the financial statement's* Note 11.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Montana's basic financial statements. The State's basic financial statements include three components: (1) *government-wide financial statements*, (2) *fund financial statements*, and (3) *notes to the financial statements*. The report also contains additional required supplementary information, which includes budgetary schedules, pension and other post employment benefits plan information, and risk management trends. These components are described below:

Basic Financial Statements

The basic financial statements include two types of financial statements that present different views of the State – the *government-wide financial statements* and the *fund financial statements*. These financial statements also include the *notes to the financial statements*, which provide further detail and information related to the balances of the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. In other words, they follow methods that are similar to those used by most businesses, including all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements: The *Statement of Net Position* and the *Statement of Activities*, as defined below.

The *Statement of Net Position* presents all of the government's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information related to the government's net position changes during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of state activities. These three types of activities are as follows:

Governmental Activities – Activities mostly supported by taxes and intergovernmental revenues, including federal grants. Most services normally associated with state government fall into this category, including education (support for both K-12 public schools and higher education), general government, health and human services, natural resources, public safety, and transportation.

Business-type Activities – Functions normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The major business-type activities of the State include the Unemployment Insurance Fund and the Municipal Finance Programs, which assists Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Discretely Presented Component Units – Operations for which the State has financial accountability, but have certain independent qualities as well. In order to be considered component units, these entities must be legally separate to the extent that they may sue, or be sued, in their own right. For the most part, these entities operate similarly to private sector businesses and the business-type activities described above.

The State's component units consist of one financing authority, one housing board, one nonprofit independent public corporation, and two universities.

Fund Financial Statements - Reporting the State's Major Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the state government, reporting the State's operations in more detail than the government-wide statements. All of the funds can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted individually. The three categories of funds are as follows:

Governmental Funds – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

The State has five governmental funds that are considered major funds for presentation purposes. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The State's five major governmental funds are the General Fund, the State Special Revenue Fund, the Federal Special Revenue Fund, the Coal Severance Tax Fund, and the Land Grant Fund.

Proprietary Funds – When the State charges customers for the service it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Like the government-wide statements, proprietary fund statements utilize full accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Whereas internal service funds report activities that provide supplies and services to the State's other programs and activities.

Fiduciary Funds – Resources held for the benefit of parties outside state government are accounted for in fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. Fiduciary fund statements use the full accrual basis of accounting.

Notes to the Financial Statements

The *notes to the financial statements* provide additional information that is essential for a full understanding of the *government-wide* and the *fund financial statements*. The *notes to the financial statements* can be found immediately following the fiduciary fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section contains a budgetary comparison schedule, which includes the reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund and major special revenue funds as presented in the governmental *fund financial statements*. Required supplementary information also includes pension and other post employment benefits plan information, as well as additional risk management trend data.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Montana's overall financial position increased from the last fiscal year, as reflected in the \$768.5 million increase (7.5%) in net position. This improvement resulted from the continued moderate growth, despite the impacts of COVID-19, particularly in tax, tobacco settlement proceeds, and investment revenue. However, growth is not expected to persevere in fiscal year 2022, as the associated financial and economical affects of the pandemic continued to be realized.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (government and business-type activities) totaled \$11.0 billion at the end of fiscal year 2021. Net position of both governmental and business-type activities increased by \$595.1 million (6.1%) and increased by \$173.4 million (44.1%), respectively. These changes are explained in detail in the Financial Analysis of the State's Major Funds section.

A portion of the State's net position reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the State reported positive balances in net investment in capital assets and restricted net position categories, along with a negative balance in the unrestricted category of net position, for both the governmental activities and the primary government as a whole. The negative unrestricted net position is primarily due to the State's net pension liability. GASB Statements No. 68 and 71, related to pension liabilities and other balance sheet components, were implemented in fiscal year 2015 and are contributing factors to the negative net position. The State also reported positive balances for all categories of net position for the business-type activities.

Net Position
June 30,
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Current and other assets	\$ 7,572,307	\$ 7,849,347	\$ 554,386	\$ 746,786	\$ 8,126,693	\$ 8,596,133
Capital assets	6,823,046	7,067,035	22,052	21,377	6,845,098	7,088,412
Total assets	14,395,353	14,916,382	576,438	768,163	14,971,791	15,684,545
Deferred outflows of resources	613,249	1,031,934	2,423	5,792	615,672	1,037,726
Long-term liabilities						
Due in more than one year	2,707,169	3,535,117	18,302	23,131	2,725,471	3,558,248
Other liabilities	2,251,217	1,823,324	163,594	181,844	2,414,811	2,005,168
Total liabilities	4,958,386	5,358,441	181,896	204,975	5,140,282	5,563,416
Deferred inflows of resources	219,243	163,799	3,645	2,299	222,888	166,098
Net investment in capital assets	6,743,003	6,962,944	22,035	21,360	6,765,038	6,984,304
Restricted	3,452,344	3,574,995	350,309	520,696	3,802,653	4,095,691
Unrestricted	(364,374)	(111,863)	20,976	24,625	(343,398)	(87,238)
Total net position	\$ 9,830,973	\$ 10,426,076	\$ 393,320	\$ 566,681	\$ 10,224,293	\$ 10,992,757

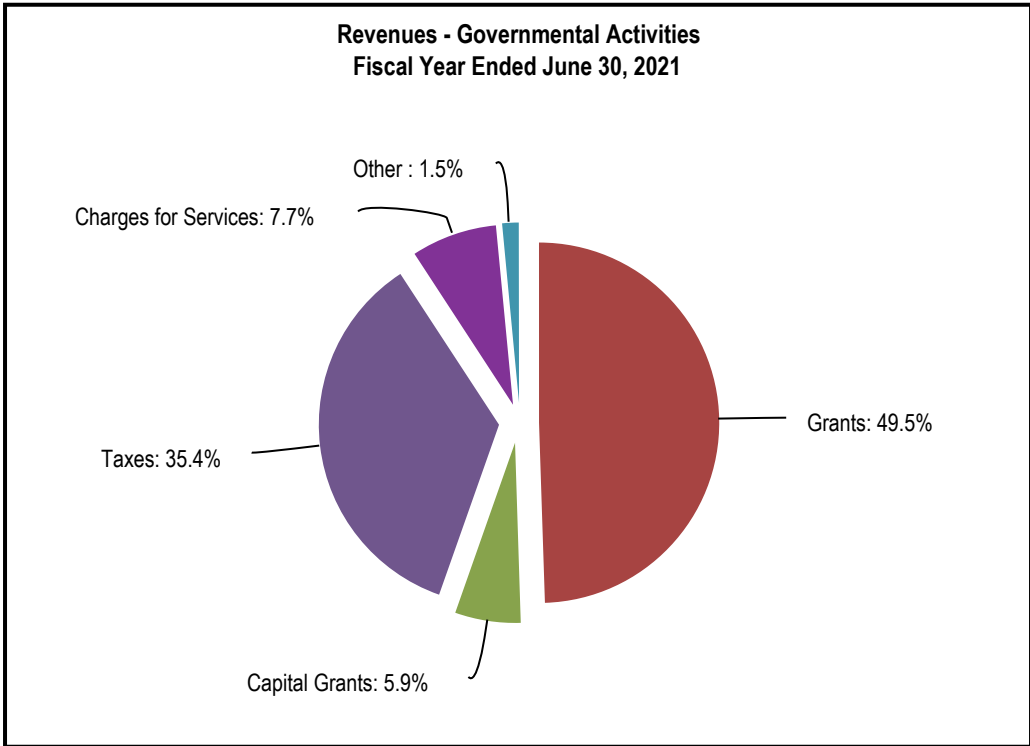
The following condensed financial information was derived from the government-wide Statement of Activities, and reflects how the State's net position changed during the fiscal year:

**Changes in Net Position
For Fiscal Year Ended June 30,
(expressed in thousands)**

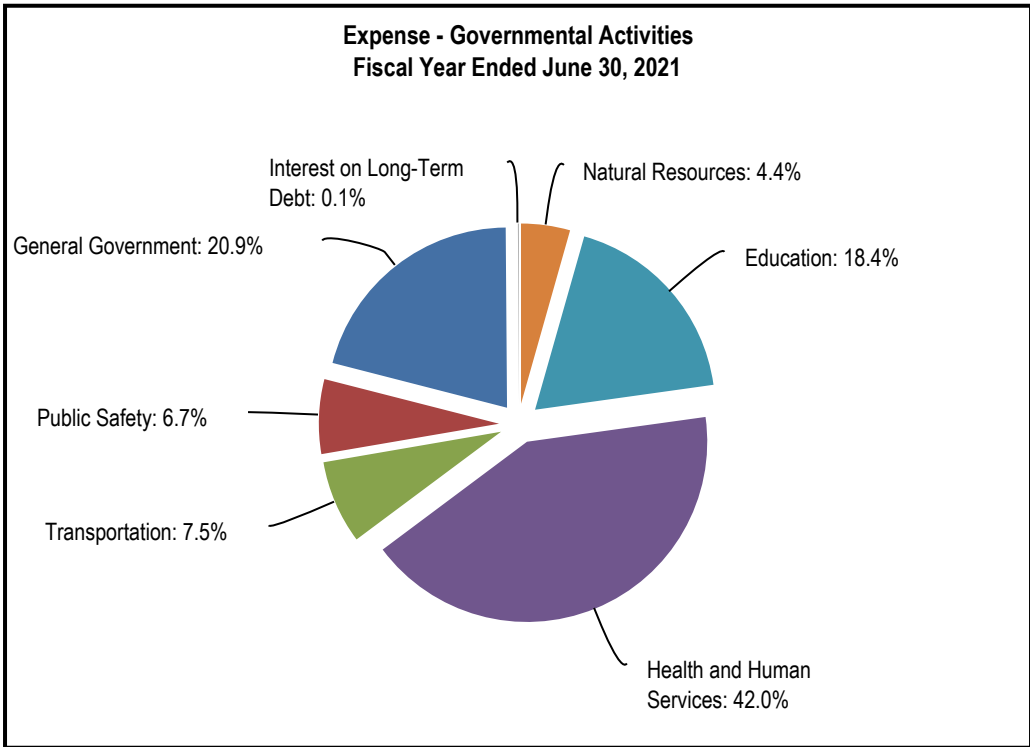
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Revenues:						
Program revenues						
Charges for services	\$ 686,335	\$ 693,875	\$ 443,048	\$ 519,186	\$ 1,129,383	\$ 1,213,061
Operating grants	2,930,307	4,441,208	71,422	68,576	3,001,729	4,509,784
Capital grants	564,431	531,666	950	883	565,381	532,549
General revenues						
Taxes	2,793,211	3,170,440	32,576	38,141	2,825,787	3,208,581
Other	186,194	130,057	504,749	555,820	690,943	685,877
Total revenues	7,160,478	8,967,246	1,052,745	1,182,606	8,213,223	10,149,852
Expenses:						
General government	957,534	1,699,213			957,534	1,699,213
Public safety	458,526	544,839			458,526	544,839
Transportation	557,290	611,537			557,290	611,537
Health and human service	2,896,774	3,418,518			2,896,774	3,418,518
Education	1,352,323	1,492,682			1,352,323	1,492,682
Natural resources	338,957	361,420			338,957	361,420
Interest on long-term debt	5,365	5,026			5,365	5,026
Unemployment Insurance			746,508	728,476	746,508	728,476
Liquor Stores			98,324	120,913	98,324	120,913
State Lottery			51,385	99,353	51,385	99,353
Municipal Finance Programs			2,542	1,602	2,542	1,602
Hail Insurance			1,154	796	1,154	796
Other Services			74,323	81,765	74,323	81,765
Prison Funds			8,506	7,042	8,506	7,042
MUS Group Insurance			100,958	106,068	100,958	106,068
MUS Workers Comp			657	2,852	657	2,852
Total expenses	6,566,769	8,133,235	1,084,357	1,148,867	7,651,126	9,282,102
Increase (decrease) in net position before transfers	593,709	834,011	(31,612)	33,739	562,097	867,750
Transfers	58,703	(138,881)	(58,703)	138,881	—	—
Change in net position	652,412	695,130	(90,315)	172,620	562,097	867,750
Net position, beg of year (as adjusted)	9,178,561	9,730,946	483,635	394,061	9,662,196	10,125,007
Net position, end of year	\$ 9,830,973	\$ 10,426,076	\$ 393,320	\$ 566,681	\$ 10,224,293	\$ 10,992,757

Governmental Activities

The following chart depicts revenues of the governmental activities for the fiscal year:

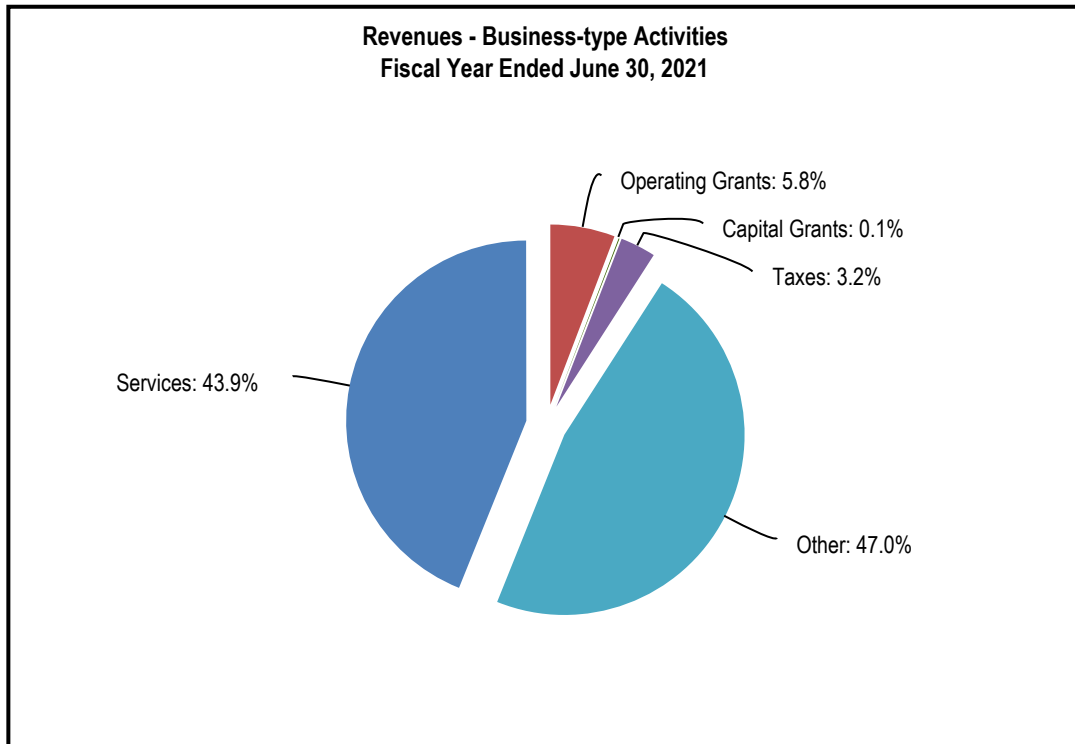


The following chart depicts expenses of the governmental activities for the fiscal year:



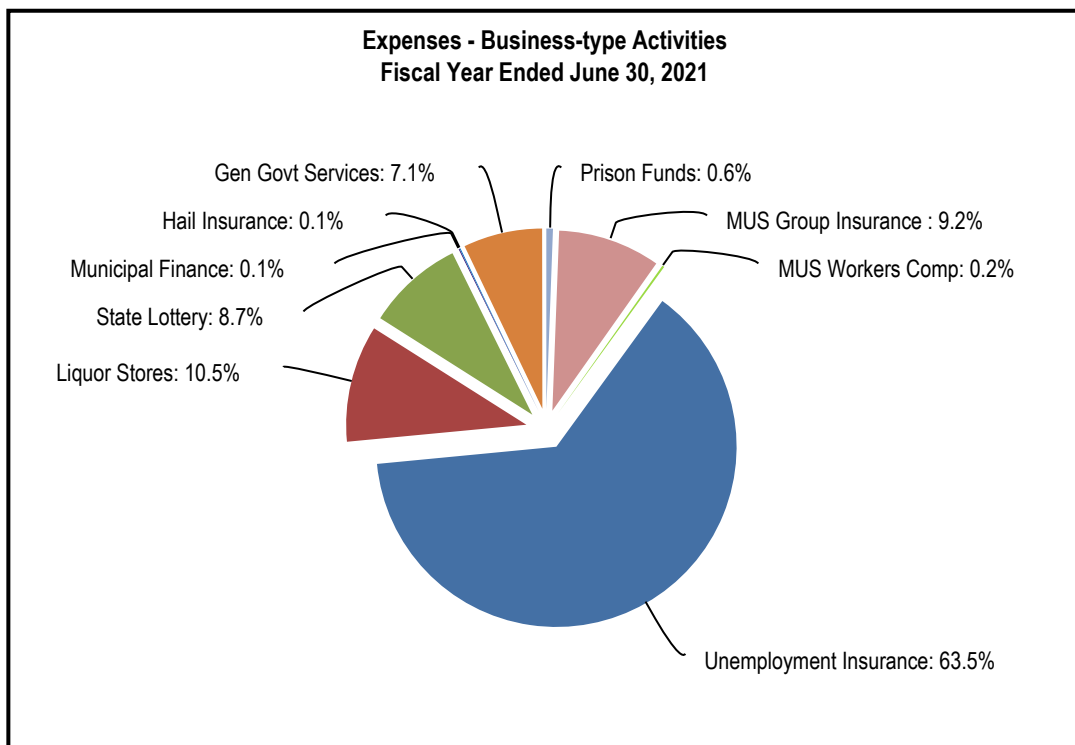
Business-type Activities

The following chart depicts revenues of the business-type activities for the fiscal year:



The Other Revenue in the above table is primarily related to additional federal funding received for Unemployment Insurance claims due to COVID-19.

The following chart depicts expenses of the business-type activities for the fiscal year:



FINANCIAL ANALYSIS OF THE STATE'S MAJOR FUNDS

As the State completed the year, its governmental funds reported fund balances of \$5.7 billion. Of this total, \$3.7 billion (65.1%) constitutes spendable fund balance and \$2.0 billion (34.9%) is classified as non-spendable. The analysis of the following major funds, providing the majority of the fund balance for the government, follows.

General Fund Revenues and Expenditures

The General Fund is the chief operating fund of the State. For fiscal year 2021, the total fund balance of the General Fund was reported at approximately \$856.3 million. Of this balance, \$5.2 million is non-spendable. The remaining \$851.1 million is spendable with \$114.2 million committed, \$95.4 million assigned, and \$641.5 million unassigned. This spendable fund balance of the General Fund represents 23.1% of the \$3.7 billion spendable governmental fund balances for all governmental funds. Of the assigned fund balance, \$75.0 million pertains to the projected general fund spend down of fund balance in fiscal year 2022 and \$20.4 million relates to outstanding encumbrances at the end of the fiscal year. The committed fund balance of \$114.2 million relates to the balance of the Budget Stabilization Reserve Fund, which is combined with the General Fund for financial statement presentation. Further detail on the breakdown of fund balance for the General Fund is provided in Note 14 – Major Purpose Presentation.

Total fund balance increased by \$263.5 million when compared to the previously reported fund balance of \$592.8 million. Changes in both expenditures and revenues are discussed in detail below. The 2021 legislative session projected \$408.6 million of unassigned fund balance for fiscal year 2021, without regard to a fund balance spend down. The difference was primarily the result of a larger than anticipated beginning fund balance and smaller than anticipated expenditures.

General Fund Revenues – Total General Fund revenues were \$2.8 billion for fiscal year 2021 (higher than legislative estimation), a 16.6% increase from the \$2.4 billion reported in 2020 (which were lower than legislative estimation). Fiscal year 2021 tax revenue increased by 18.3% in total over 2020, with corporate income tax collections up 41.3% and individual income tax collections increased by 22.0%. The large tax revenue gains were the result of the strong economic conditions of the state coming out of the COVID-19 restrictions last year. In addition, the large federal spending provisions implemented during fiscal year 2021 were also increasing disposable incomes for individuals, state governments, and businesses. Other noted increases in revenues included charges for services/fines/forfeits/settlements and licenses/permits.

General Fund Expenditures – Total General Fund expenditures for fiscal year 2021 increased by \$47.2 million (2.0%). This increase in expenditures occurred in the general government, transportation, health and human services, education, and natural resources functions and the decrease in expenditures occurred in the public safety function as follows:

- General government expenditures increased by \$13.4 million (3.6%)
- Transportation expenditures increased by \$174.0 thousand
- Health and human services expenditures increased by \$10.1 million (2.1%)
- Education expenditures increased by \$37.0 million (3.4%)
- Natural resources expenditure increased by \$2.0 million (5.4%)
- Public safety expenditures decreased by \$11.3 million (3.5%)

The expenditures in the public safety function decreased because some of the personal services were eligible to be paid by the Federal Special Revenue Fund for COVID-19 relief.

The General Fund's actual revenues and expenditures in comparison to budgeted revenues and expenditures is provided in more depth on the Budgetary Comparison Schedule within the Required Supplementary Information section of this report. The same level of detail used to report the actual revenues and expenditures is not readily available for all budgetary revenues and expenditures, which may cause some variances.

General Fund Expenditure Budget Reversions

Fund balances are not reserved for reverted appropriations. For fiscal year 2021, General Fund appropriations that reverted to 2022 were \$96.6 million.

The Department of Public Health and Human Services had unspent appropriations of \$58.8 million related to Medicaid savings and other operational costs.

The Department of Corrections had unspent appropriations of \$14.8 million related to the costs reimbursed by federal funding associated with COVID-19.

The Office of Public Instruction had unspent appropriations of \$10.0 million related to K-12 distributions to schools and participation or eligibility in some programs.

The Judicial Branch had unspent appropriations of \$2.8 million related to vacancy savings and operational costs.

The Legislative Branch had unspent appropriations of \$2.0 million related to vacancy savings and operational costs.

The Department of Revenue had unspent appropriations of \$2.0 million related to funds available to local governing bodies pursuant to Section 15-1-402 (6)(d), MCA, regarding protested property taxes, Section 15-1-120, MCA, regarding entitlement share payments, and other operational costs.

The Office of the Governor had unspent appropriations of \$1.6 million related to personal services contingency funding held in the office for the entire state, operating cost savings, and vacancy savings.

The Department of Natural Resources and Conservation had unspent appropriations of \$1.5 million related to unspent operation costs associated with reduction in travel, training and other various expenditures due to COVID-19.

The remaining unspent appropriation of \$3.2 million was attributable to miscellaneous reversions across other agencies.

State Special Revenue Fund

The fund balance of the State Special Revenue Fund increased by \$143.1 million to \$2.0 billion. Revenues increased by \$59.3 million (5.6%) and expenditures increased \$50.9 million (4.5%), for fiscal year 2021. The largest increases in revenues are attributable to an increase in charges for services/fines/forfeits/settlements, taxes collections, and licenses and permits. The largest increases in expenditures are attributable to natural resources related expenditures. Other financing sources, such as refunding bond issued, increased due to the General Obligation Bonds, Series 2010F refunded with 2020I, Series 2015C refunded with 2020J, the Special Revenue Bonds, Series 2010C refunded with 2020L, in fiscal year 2021. Other financing sources, such as bond proceeds, increased due to the General Obligation Bonds, Series 2020E, 2020G, 2020H, 2020J, and 2020K, the Special Revenue Bonds, Series 2020L and 2020M, issued in fiscal year 2021. Primarily, transfers into the State Special Revenue Fund from other governmental funds resulted in an increase in fund balance.

Federal Special Revenue Fund

The fund balance of the Federal Special Revenue Fund decreased by \$4.5 million (66.5%) to the balance of negative \$11.3 million. Revenues and expenditures increased by \$1.5 billion (46.2%) and \$1.3 billion (41.7%) respectively, for the fiscal year 2021. Revenue increases are attributable to increases in federal program revenue, including COVID-19 related federal funding. Expenditure increases are attributable to increases in general government and health and human services related expenditures. The general government and health and human services related expenditure increases are attributable to COVID-19.

Coal Severance Tax Permanent Fund

The fund balance of the Coal Severance Tax Permanent Fund increased by \$7.3 million (0.6%) to \$1.2 billion. Revenue decreased by \$60.1 million (60.1%) to \$39.9 million, primarily due to a decrease of investment earnings. The excess of revenue over expenditures and transfers out helped lead to the increase in fund balance.

Land Grant Permanent Fund

The fund balance of the Land Grant Permanent Fund increased by \$25.9 million (3.1%) to \$871.7 million. Revenue decreased by \$33.0 million to a total of \$93.6 million, and the investment earnings were attributable to the decrease. Primarily, income generated by the State's trust lands resulted in an increase in fund balance.

The State's proprietary funds financial statements provided the same type of information founded in the government-wide financial statements, but in more detail. As the State completed the year, the enterprise funds reported fund balances of \$566.7 million. Of this total, \$545.3 million (96.2%) constitutes spendable net position and \$21.4 million (3.8%) is classified as net investment in capital assets. The analysis of the following major enterprise funds, providing the majority of the net position for the business-type activities, follows.

Unemployment Insurance Enterprise Fund

Net position restricted for unemployment compensation increased by \$162.4 million (68.1%). The increase in net position is attributable to the transfers into the Unemployment Insurance Enterprise Fund from the Federal Special Revenue Fund for COVID-19 relief in fiscal year 2021.

Municipal Finance Programs Fund

Net position decreased by 8.2% to \$4.9 million in fiscal year 2021. Financing income revenue decreased \$922.0 thousand, and investment earnings decreased \$436.0 thousand, while expenses from interest expense decreased \$1.1 million. Overall revenues and expenditures decreased 53.2% and 37.0%, which resulted in an decrease of \$438.0 thousand to net position.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities, as of June 30, 2021, amounted to \$9.7 billion, with related accumulated depreciation of \$2.6 billion, leaving a net book value of \$7.1 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, intangible assets, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State's investment in capital assets for the current fiscal year was \$243.3 million or 3.6% in terms of net book value. Most increases in capital expenditures were seen in construction, or reconstruction, of roads and bridges. Additional information relating to the State's capital assets can be found in Note 5 of the *notes to the financial statements*.

Debt Administration

Montana continues to receive excellent general obligation bond ratings from Moody's Investor Service (Aa1), Standard and Poor's Corporation (AA), and Fitch Ratings (AA+), which remain unchanged from 2020.

State debt may be authorized either by a two-thirds vote of the members of each house of the Legislature or by a favorable vote of a majority of the State's electors voting thereon. There is no constitutional limit on the amount of debt that may be incurred by the State. The Montana Constitution does, however, prohibit the incurring of debt to cover deficits caused by appropriations exceeding anticipated revenue.

The State of Montana's general obligation debt increased from \$90.3 million at June 30, 2020, to \$127.6 million at June 30, 2021. There is cash available, of \$6.7 million at the end of fiscal year 2021, in debt service funds to service general obligation debt.

The below table contains the ratio of general obligation debt and total State debt to personal income and to the amount of debt per capita:

	Amount (in thousands)	Percentage of Personal Income ⁽¹⁾	State Debt Per Capita ⁽²⁾
General obligation debt	\$ 127,633	0.22%	\$ 118
Total State debt ⁽³⁾	\$ 172,555	0.30%	\$ 160
⁽¹⁾ Based on personal income for calendar year 2020.			
⁽²⁾ Based on estimated 2020 Montana population.			
⁽³⁾ Based on total of general obligation bonds, special revenue bonds, notes payable, and lease/installment purchase payable for the percentage and state debt per capita.			

More detailed information regarding the State's long-term obligations is provided in Note 11 of the notes to the financial statements and in the statistical tables.

ECONOMIC CONDITION AND OUTLOOK

On March 3, 2020, Governor Bullock formed a multi-agency task force to coordinate the State's preparations with respect to COVID-19. On March 12, 2020, Governor Bullock issued Executive Orders No. 2-2020 and 3-2020 declaring a State of Emergency in the State in response to the COVID-19 pandemic. Montana residents were under a Stay at Home Directive from March 28, 2020 through April 24, 2020. On June 30, 2021, Governor Gianforte ended the State of Emergency in Montana.

Because Montana's continued and effective response to the COVID-19 pandemic, the State has determined that extending the State income tax filing deadline to July 15, 2020, did not have an adverse effect on the State's liquidity for fiscal years 2020 and 2021.

The State was allocated \$1.6 billion from ARPA during fiscal year 2021. The legislature has appropriated approximately \$1.2 billion and enacted laws to allow appropriations to continue into the 2023 and 2025 bienniums. The programs designated by the legislature for ARPA funding are infrastructure, communications, economic transformation and stabilization, workforce development, and health. ARPA funds spent before June 30, 2021, totaled \$58.4 million. Since June 30, 2021, another \$116.0 million has been spent. The State plans to spend all funds received by June 30, 2026.

The extent of the impact of COVID-19 on the State's operational and financial performance, and on the State's general financial condition, will depend on future developments, many of which are out of the State's control, including the implementation of federal aid; the duration and spread of the COVID-19 pandemic; and associated restrictions and limitations.

The State cannot predict: (i) the duration or extent of the COVID-19 pandemic or any other outbreak or pandemic; (ii) the duration or expansion of travel restrictions and warnings – both domestically and internationally; (iii) whether additional countries or destinations will be added to the travel restriction or warning; (iv) what effect any COVID-19 or any other outbreak/pandemic-related travel restrictions or warnings may have on demand for travel; (v) whether and to what extent the COVID-19 pandemic or any other outbreak or pandemic may disrupt the local or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact State-related operations and financial results; or (vi) whether any of the foregoing may have a material adverse effect on the finances and operations of the State.

Despite the economic effects of COVID-19, Montana's primary economic base remains concentrated in nonresident travel, agriculture, and mining, as well as service-providing industries. Per the 2021 Labor Day Report issued by the Montana Department of Labor and Industry, Montana's economy is in the midst of a strong recovery from the pandemic recession. Montana had real wage growth of 6.6% in calendar year 2020, ranking 8th among states for the fastest average annual wage growth over the last 10 years. Montana's unemployment rate dropped quickly after the pandemic recession, reaching 3.6% in July 2021, with the national rate around 5.4%. Prior recessions took much longer for unemployment to return to normal levels. In October 2021, the Montana's preliminary unemployment rate was 3.1% with the national rate around 4.6%. Even with a strong recovery and rapid job growth, it is likely that the pandemic will have continued impacts on Montana's economy, particularly labor shortages and the impacts of rising prices on businesses and workers.

Montana had an estimated 1,080,577 population as of July 1, 2020. The Montana labor market has total nonfarm workers of 481,800 in August 2021 as compared to 464,600 in August 2020. A more in-depth analysis of the State's overall financial position can be found in the transmittal letter of this report.

The Montana Constitution, Article VIII, Section 15, states that public retirement systems shall be funded on an actuarially sound basis. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is within 30 years. As of June 30, 2021, the Game Warden & Peace Officers' Retirement System (GWPORS) was not in compliance and did not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortize in 30 years or less as of the fiscal year ended June 30, 2021.

The actuarial condition of these retirement plans is disclosed in greater detail in Note 6 of the financial statements. The unfunded actuarial liability of these plans is long-term in nature and does not translate into an inability of the plans to meet their current obligations in the near future.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Montana's finances for all of Montana's citizens, taxpayers, customers, investors, and creditors. The financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the State of Montana, Statewide Accounting Bureau, Room 255 Mitchell Building, PO Box 200102, Helena, MT 59620.

STATEMENT OF NET POSITION

JUNE 30, 2021

(amounts expressed in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash/cash equivalents (Note 3)	\$ 3,401,680	\$ 553,507	\$ 3,955,187	\$ 619,427
Receivables (net) (Note 4)	530,038	74,659	604,697	130,533
Due from primary government	—	—	—	2,319
Due from other governments	355,220	792	356,012	36,473
Due from component units	553	1,445	1,998	289
Internal balances	6,415	(6,415)	—	—
Inventories	30,734	6,195	36,929	4,507
Advances to component units	9,539	8,515	18,054	—
Long-term loans/notes receivable	550,050	78,175	628,225	611,393
Equity in pooled investments (Note 3)	2,663,550	18,379	2,681,929	50,778
Investments (Note 3)	199,873	9,504	209,377	2,369,504
Securities lending collateral (Note 3)	48,105	332	48,437	5,182
Net pension asset (Note 6)	36,545	—	36,545	—
Other assets	17,045	1,698	18,743	19,122
Depreciable capital assets and infrastructure, net (Note 5)	4,545,872	16,061	4,561,933	877,316
Land and nondepreciable capital assets (Note 5)	2,521,163	5,316	2,526,479	143,081
Total assets	14,916,382	768,163	15,684,545	4,869,924
DEFERRED OUTFLOWS OF RESOURCES (Note 4)				
	1,031,934	5,792	1,037,726	140,462
LIABILITIES				
Accounts payable (Note 4)	749,171	65,304	814,475	75,884
Lottery prizes payable	—	4,459	4,459	—
Due to primary government	—	—	—	1,998
Due to other governments	33,251	355	33,606	371
Due to component units	2,319	—	2,319	289
Due to pension trust funds	35,825	—	35,825	—
Advances from primary government	—	—	—	18,054
Unearned revenue	759,052	6,151	765,203	99,793
Amounts held in custody for others	56,690	30	56,720	13,935
Securities lending liability (Note 3)	48,105	332	48,437	5,182
Other liabilities	5,658	—	5,658	26,935
Short-term debt (Note 11)	—	90,600	90,600	—
Long-term liabilities (Note 11):				
Due within one year	133,253	14,613	147,866	171,931
Due in more than one year	449,938	5,391	455,329	1,774,141
Net pension liability (Note 6)	2,943,785	15,290	2,959,075	237,781
Total OPEB liability (Note 7)	141,394	2,450	143,844	58,124
Total liabilities	5,358,441	204,975	5,563,416	2,484,418
DEFERRED INFLOWS OF RESOURCES (Note 4)				
	163,799	2,299	166,098	58,029

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
NET POSITION				
Net investment in capital assets	\$ 6,962,944	\$ 21,360	\$ 6,984,304	\$ 711,960
Restricted for:				
General government	34,624	—	34,624	—
Transportation	125,943	—	125,943	—
Health and human service	17,031	—	17,031	—
Natural resources	652,447	—	652,447	—
Public safety	199,135	—	199,135	—
Education	9,212	—	9,212	—
Funds held as permanent investments:				
Nonexpendable	1,952,534	—	1,952,534	464,669
Expendable	584,069	—	584,069	—
Unemployment compensation	—	400,873	400,873	—
Montana Board of Housing	—	—	—	160,105
Other purposes (Note 1)	—	119,823	119,823	342,747
Unrestricted	(111,863)	24,625	(87,238)	788,458
Total net position	<u>\$ 10,426,076</u>	<u>\$ 566,681</u>	<u>\$ 10,992,757</u>	<u>\$ 2,467,939</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE
Primary government:					
Governmental activities:					
General government	\$ 1,699,213	\$ 214,699	\$ 1,451,597	\$ 5,918	\$ (26,999)
Public safety	544,839	198,475	29,095	—	(317,269)
Transportation	611,537	35,802	83,533	505,281	13,079
Health and human services	3,418,518	39,781	2,476,116	245	(902,376)
Education	1,492,682	3,563	251,968	1,379	(1,235,772)
Natural resources	361,420	201,555	148,899	18,843	7,877
Interest on long-term debt	5,026	—	—	—	(5,026)
Total governmental activities	8,133,235	693,875	4,441,208	531,666	(2,466,486)
Business-type activities:					
Unemployment Insurance	728,476	122,626	14,632	—	(591,218)
Liquor Stores	120,913	135,369	—	—	14,456
State Lottery	99,353	112,327	—	—	12,974
Municipal Finance Programs	1,602	40	1,124	—	(438)
Hail Insurance	796	1,152	4	—	360
Other Service	81,765	31,401	52,387	883	2,906
Prison Funds	7,042	7,005	—	—	(37)
MUS ¹ Group Insurance	106,068	105,336	339	—	(393)
MUS ¹ Workers Compensation	2,852	3,930	90	—	1,168
Total business-type activities	1,148,867	519,186	68,576	883	(560,222)
Total primary government	\$ 9,282,102	\$ 1,213,061	\$ 4,509,784	\$ 532,549	\$ (3,026,708)
Component units:					
Montana Board of Housing	\$ 21,820	\$ 2,612	\$ 18,908	\$ —	\$ (300)
Facility Finance Authority	538	821	112	—	395
Montana State Fund	171,042	148,625	—	—	(22,417)
Montana State University	646,557	273,506	320,508	11,663	(40,880)
University of Montana	464,845	148,670	240,803	336	(75,036)
Total component units	\$ 1,304,802	\$ 574,234	\$ 580,331	\$ 11,999	\$ (138,238)

¹Montana University System

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Changes in net position:				
Net (expense) revenue	\$ (2,466,486)	\$ (560,222)	\$ (3,026,708)	\$ (138,238)
General revenues:				
Taxes:				
Property	329,585	—	329,585	—
Fuel	274,417	—	274,417	—
Natural resource	160,987	—	160,987	—
Individual income	1,712,162	—	1,712,162	—
Corporate income	261,686	—	261,686	—
Other (Note 1)	431,603	38,141	469,744	—
Unrestricted grants and contributions	447	549,317	549,764	4
Settlements	86,092	—	86,092	—
Unrestricted investment earnings	32,902	14	32,916	138,851
Transfers from primary government	—	—	—	256,944
Gain (loss) on sale of capital assets	4,750	84	4,834	(14)
Miscellaneous	5,866	6,405	12,271	2,002
Contributions to term and permanent endowments	—	—	—	29,507
Transfers between primary government	(138,881)	138,881	—	—
Total general revenues, contributions, and transfers	3,161,616	732,842	3,894,458	427,294
Change in net position	695,130	172,620	867,750	289,056
Total net position - July 1 - as previously reported	9,830,973	393,320	10,224,293	2,178,642
Adjustments to beginning net position (Note 2)	(100,027)	741	(99,286)	241
Total net position - July 1 - as adjusted	9,730,946	394,061	10,125,007	2,178,883
Total net position - June 30	\$ 10,426,076	\$ 566,681	\$ 10,992,757	\$ 2,467,939

The notes to the financial statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2021

(amounts expressed in thousands)

	SPECIAL REVENUE		
	GENERAL	STATE	FEDERAL
ASSETS			
Cash/cash equivalents (Note 3)	\$ 910,776	\$ 1,084,767	\$ 792,458
Receivables (net)	314,579	108,104	72,886
Interfund loans receivable (Note 12)	98,139	78,337	5
Due from other governments	12,534	1,459	341,207
Due from other funds (Note 12)	34,585	16,247	2,289
Due from component units	—	312	—
Inventories	4,087	21,669	—
Equity in pooled investments (Note 3)	—	391,954	—
Long-term loans/notes receivable	—	524,607	5,480
Advances to other funds (Note 12)	355	38,123	—
Advances to component units	—	1,983	—
Investments (Note 3)	10,907	1,734	—
Securities lending collateral (Note 3)	—	7,079	—
Other assets	3,322	10,058	208
Total assets	\$ 1,389,284	\$ 2,286,433	\$ 1,214,533
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 324,199	\$ 169,734	\$ 230,664
Interfund loans payable (Note 12)	—	5,001	166,377
Due to other governments	430	31,227	1,594
Due to other funds (Note 12)	2,533	12,395	13,627
Due to component units	36,275	459	1,409
Advances from other funds (Note 12)	—	5,328	36,879
Unearned revenue	40	21,186	736,758
Amounts held in custody for others	8,044	42,042	468
Securities lending liability (Note 3)	—	7,079	—
Other liabilities	28	1,332	—
Total liabilities	371,549	295,783	1,187,776
DEFERRED INFLOWS OF RESOURCES	161,435	11,452	38,078
Fund balances (Note 14):			
Nonspendable	5,171	22,630	151
Restricted	—	1,197,079	—
Committed	114,199	757,536	—
Assigned	95,387	1,953	—
Unassigned	641,543	—	(11,472)
Total fund balances	856,300	1,979,198	(11,321)
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,389,284	\$ 2,286,433	\$ 1,214,533

The notes to the financial statements are an integral part of this statement.

PERMANENT				
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL	
\$ 57,936	\$ 38,001	\$ 287,638	\$	3,171,576
11,030	2,399	10,542		519,540
—	—	—		176,481
—	—	—		355,200
—	—	4,935		58,056
113	—	128		553
—	—	—		25,756
976,655	836,860	424,063		2,629,532
—	—	19,964		550,051
—	—	5,328		43,806
7,365	—	190		9,538
184,756	—	—		197,397
17,639	15,114	7,659		47,491
—	116	—		13,704
\$ 1,255,494	\$ 892,490	\$ 760,447	\$	7,798,681

\$ —	\$ 5	\$ 5,942	\$	730,544
1,593	2	335		173,308
—	—	—		33,251
4,380	—	2,408		35,343
—	—	—		38,143
—	—	1,761		43,968
—	—	—		757,984
—	5,688	—		56,242
17,639	15,114	7,659		47,491
—	—	—		1,360
23,612	20,809	18,105		1,917,634
2,822	—	1,307		215,094
664,992	871,681	414,009		1,978,634
—	—	34,229		1,231,308
564,068	—	293,558		1,729,361
—	—	251		97,591
—	—	(1,012)		629,059
1,229,060	871,681	741,035		5,665,953
\$ 1,255,494	\$ 892,490	\$ 760,447	\$	7,798,681

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION**

JUNE 30, 2021

(amounts expressed in thousands)

Total fund balances - governmental funds	\$	5,665,953
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Amounts reported for governmental activities in the Statement of Net Position are different due to:

Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds (Note 5):

Depreciable capital assets and infrastructure, net	\$	4,545,872	
Land and nondepreciable capital assets		2,521,163	7,067,035

Deferred outflows of resources represent a consumption of net assets that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds.		1,031,934
--	--	-----------

Other assets not available in the current period and therefore are not reported in the governmental funds:

Net pension asset		36,545
Long-term receivables		(286)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position, excluding internal service funds' capital assets, deferred outflows of resources, deferred inflows of resources and long-term liabilities reported in specific areas.

	258,300
--	---------

Other liabilities that are not due and payable in the current period and are not reported in the governmental funds.	(16,330)
--	----------

A portion of deferred inflows of resources represents an acquisition of net assets that will be recognized as an inflow of resources in a future period, which differs than that reported in the governmental funds.	51,295
--	--------

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds (Note 11):

Other long-term liabilities	(583,191)	
Net pension liability	(2,943,785)	
Total OPEB liability	(141,394)	(3,668,370)

Total net position - governmental activities	\$	10,426,076
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The notes to the financial statements are an integral part of this statement.

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

	SPECIAL REVENUE		
	GENERAL	STATE	FEDERAL
REVENUES (Note 14)			
Licenses/permits	\$ 142,810	\$ 299,035	\$ —
Taxes:			
Natural resource	68,068	64,910	—
Individual income	1,734,627	—	—
Corporate income	263,869	11	—
Property	309,495	20,090	—
Fuel	—	274,417	—
Other	253,940	171,436	—
Charges for services/fines/forfeits/settlements	45,488	151,369	7,925
Investment earnings	5,093	9,744	572
Securities lending income	39	47	—
Sale of documents/merchandise/property	251	9,061	—
Rentals/leases/royalties	8	1,254	—
Contributions/premiums	—	35,092	—
Grants/contracts/donations	13,665	15,470	44
Federal	10,767	8,996	4,692,258
Federal indirect cost recoveries	164	56,549	98,207
Other revenues	379	3,763	1,335
Total revenues	<u>2,848,663</u>	<u>1,121,244</u>	<u>4,800,341</u>
EXPENDITURES			
Current:			
General government	385,619	196,146	834,438
Public safety	310,373	104,668	58,076
Transportation	174	254,873	129,320
Health and human services	490,805	221,921	2,710,755
Education	1,119,344	86,028	289,715
Natural resources	38,226	230,006	128,353
Debt service:			
Principal retirement	295	2,996	135
Interest/fiscal charges	247	1,229	11
Capital outlay	7,436	90,291	427,568
Securities lending	10	10	—
Total expenditures	<u>2,352,529</u>	<u>1,188,168</u>	<u>4,578,371</u>
Excess of revenue over (under) expenditures	<u>496,134</u>	<u>(66,924)</u>	<u>221,970</u>
OTHER FINANCING SOURCES (USES)			
Inception of lease/installment contract	193	4,137	57
Insurance proceeds	—	437	—
General capital asset sale proceeds	119	617	—
Refunding bond issued	—	24,896	—
Payment to refunding bond escrow agent	—	(23,935)	—
Bond premium	—	8,799	—
Bond proceeds	—	56,904	—
Energy conservation loans	—	149	—
Transfers in (Note 12)	85,086	212,201	2,059
Transfers out (Note 12)	(330,993)	(72,058)	(229,172)
Total other financing sources (uses)	<u>(245,595)</u>	<u>212,147</u>	<u>(227,056)</u>
Net change in fund balances	<u>250,539</u>	<u>145,223</u>	<u>(5,086)</u>
Fund balances - July 1 - as previously reported	592,812	1,836,115	(6,799)
Adjustments to beginning fund balance (Note 2)	13,335	(591)	564
Fund balances - July 1 - as adjusted	606,147	1,835,524	(6,235)
Increase (decrease) in inventories	(386)	(1,549)	—
Fund balances - June 30	<u>\$ 856,300</u>	<u>\$ 1,979,198</u>	<u>\$ (11,321)</u>

The notes to the financial statements are an integral part of this statement.

PERMANENT				
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL	
\$ —	\$ 1,908	\$ —	\$ 443,753	
19,832	—	7,599	160,409	
—	—	—	1,734,627	
—	—	—	263,880	
—	—	—	329,585	
—	—	—	274,417	
—	—	8,068	433,444	
—	—	32,339	237,121	
19,917	12,827	17,741	65,894	
113	96	48	343	
—	23,466	—	32,778	
—	55,255	—	56,517	
—	—	—	35,092	
—	24	—	29,203	
—	—	—	4,712,021	
—	—	—	154,920	
—	—	—	5,477	
39,862	93,576	65,795	8,969,481	
—	—	1,045	1,417,248	
—	—	23	473,140	
—	—	—	384,367	
—	—	2,443	3,425,924	
—	—	22	1,495,109	
—	5,152	3,179	404,916	
—	—	17,523	20,949	
—	—	4,510	5,997	
—	—	63,031	588,326	
25	21	10	76	
25	5,173	91,786	8,216,052	
39,837	88,403	(25,991)	753,429	
—	—	—	4,387	
—	—	—	437	
—	4,278	15	5,029	
—	—	12,425	37,321	
—	—	(13,326)	(37,261)	
—	—	—	8,799	
—	—	—	56,904	
—	—	—	149	
167	94	319,959	619,566	
(33,210)	(66,840)	(27,944)	(760,217)	
(33,043)	(62,468)	291,129	(64,886)	
6,794	25,935	265,138	688,543	
1,221,777	845,746	475,900	4,965,551	
489	—	(3)	13,794	
1,222,266	845,746	475,897	4,979,345	
—	—	—	(1,935)	
\$ 1,229,060	\$ 871,681	\$ 741,035	\$ 5,665,953	

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(amounts expressed in thousands)

Net change in fund balances - total governmental funds	\$	688,543
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Amounts reported for governmental activities in the Statement of Activities are different due to:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense over the useful life of the capital asset. Capital outlays exceeded depreciation expense in the current year by the following amount (Note 5):

Capital outlay	\$	588,326	
Depreciation expense and amortization		<u>(270,682)</u>	317,644

Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities, but only proceeds from sales are reported in the governmental funds.	3,982
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Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(8,142)
--	---------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(65,703)
---	----------

Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. Internal service funds are reported separately from governmental funds in the fund financial statements. In the government-wide statements, internal service funds are included with governmental activities.	22,481
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease items reported in the Statement of Net Position.	<u>(263,675)</u>
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Change in net position - governmental activities	<u>\$</u>	<u>695,130</u>
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The notes to the financial statements are an integral part of this statement.

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	ACTIVITIES - INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash/cash equivalents (Note 3)	\$ 390,303	\$ 16,055	\$ 147,149	\$ 553,507	\$ 230,105
Receivables (net) (Note 4)	26,811	7,319	40,529	74,659	10,784
Interfund loans receivable (Note 12)	—	—	215	215	—
Due from other governments	406	—	386	792	20
Due from other funds (Note 12)	—	3,730	38	3,768	43
Due from component units	—	1,445	—	1,445	—
Inventories	—	—	6,195	6,195	4,979
Short-term investments (Note 3)	—	7,524	—	7,524	—
Securities lending collateral (Note 3)	—	—	332	332	614
Other current assets	—	1	335	336	3,341
Total current assets	417,520	36,074	195,179	648,773	249,886
Noncurrent assets:					
Advances to other funds (Note 12)	—	7,189	—	7,189	—
Advances to component units	—	8,515	—	8,515	—
Long-term investments (Note 3)	—	—	20,359	20,359	36,495
Long-term notes/loans receivable	33,906	44,269	—	78,175	—
Other long-term assets	—	—	1,362	1,362	—
Capital assets (Note 5):					
Land	—	—	800	800	—
Land improvements	—	—	3,830	3,830	95
Buildings/improvements	—	—	16,379	16,379	6,069
Equipment	—	1	9,845	9,846	276,909
Infrastructure	—	—	1,175	1,175	—
Construction work in progress	—	—	1,303	1,303	2,091
Intangible assets	—	—	3,432	3,432	426
Other capital assets	—	—	3,213	3,213	—
Less accumulated depreciation	—	—	(18,601)	(18,601)	(181,123)
Total capital assets	—	1	21,376	21,377	104,467
Total noncurrent assets	33,906	59,974	43,097	136,977	140,962
Total assets	451,426	96,048	238,276	785,750	390,848
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	—	130	5,662	5,792	21,764

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	ACTIVITIES - INTERNAL SERVICE FUNDS
LIABILITIES					
Current liabilities:					
Accounts payable (Note 4)	\$ 46,953	\$ 71	\$ 18,280	\$ 65,304	\$ 16,155
Lottery prizes payable	—	—	3,534	3,534	—
Interfund loans payable (Note 12)	—	—	2,700	2,700	688
Due to other governments	—	—	355	355	—
Due to other funds (Note 12)	—	—	14,887	14,887	2,076
Unearned revenue	3,600	—	2,551	6,151	1,071
Lease/installment purchase payable (Note 10)	—	1	13	14	2,388
Short-term debt (Note 11)	—	90,600	—	90,600	—
Bonds/notes payable - net (Note 11)	—	—	—	—	171
Amounts held in custody for others	—	—	30	30	449
Securities lending liability (Note 3)	—	—	332	332	614
Estimated insurance claims (Note 8)	—	—	13,804	13,804	32,616
Compensated absences payable (Note 11)	—	25	770	795	3,362
Total current liabilities	50,553	90,697	57,256	198,506	59,590
Noncurrent liabilities:					
Lottery prizes payable	—	—	925	925	—
Advances from other funds (Note 12)	—	—	—	—	7,027
Lease/installment purchase payable (Note 10)	—	—	7	7	2,307
Bonds/notes payable - net (Note 11)	—	—	—	—	72
Estimated insurance claims (Note 8)	—	—	3,880	3,880	36,622
Compensated absences payable (Note 11)	—	60	1,444	1,504	5,580
Net pension liability (Note 6)	—	404	14,886	15,290	65,097
Total OPEB liability (Note 7)	—	45	2,405	2,450	8,503
Total noncurrent liabilities	—	509	23,547	24,056	125,208
Total liabilities	50,553	91,206	80,803	222,562	184,798
DEFERRED INFLOWS OF RESOURCES (Note 4)	—	39	2,260	2,299	6,944
NET POSITION					
Net investment in capital assets	—	1	21,359	21,360	90,706
Restricted for:					
Unemployment compensation	400,873	—	—	400,873	—
Other purposes	—	405	119,418	119,823	—
Unrestricted	—	4,527	20,098	24,625	130,164
Total net position	\$ 400,873	\$ 4,933	\$ 160,875	\$ 566,681	\$ 220,870

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
Operating revenues:					
Charges for services	\$ 149	\$ 40	273,552	\$ 273,741	\$ 172,949
Investment earnings	7,548	5	468	8,021	790
Securities lending income	—	—	2	2	4
Financing income	—	1,119	—	1,119	—
Contributions/premiums	122,477	—	122,396	244,873	230,212
Grants/contracts/donations	7,084	—	52,300	59,384	4,518
Other operating revenues	—	—	6,978	6,978	13,595
Total operating revenues	137,258	1,164	455,696	594,118	422,068
Operating expenses:					
Personal services	—	432	18,291	18,723	74,512
Contractual services	—	38	31,163	31,201	40,511
Supplies/materials	—	40	116,095	116,135	20,525
Benefits/claims	714,367	—	162,843	877,210	194,664
Depreciation	—	—	1,119	1,119	14,251
Amortization	—	—	573	573	421
Utilities/rent	—	55	1,159	1,214	6,945
Communications	—	9	1,113	1,122	13,583
Travel	—	1	113	114	150
Repairs/maintenance	—	1	1,583	1,584	28,856
Grants	—	—	—	—	478
Lottery prize payments	—	—	80,348	80,348	—
Securities lending expense	—	—	—	—	1
Interest expense	—	866	8	874	403
Other operating expenses	14,109	160	4,127	18,396	6,487
Total operating expenses	728,476	1,602	418,535	1,148,613	401,787
Operating income (loss)	(591,218)	(438)	37,161	(554,495)	20,281
Nonoperating revenues (expenses):					
Tax revenues (Note 1)	—	—	38,141	38,141	—
Grant revenue	549,316	—	—	549,316	—
Insurance proceeds	—	—	—	—	147
Gain (loss) on sale of capital assets	—	—	(602)	(602)	182
Federal indirect cost recoveries	—	—	65	65	4,547
Increase (decrease) value of livestock	—	—	433	433	—
Total nonoperating revenues (expenses)	549,316	—	38,037	587,353	4,876
Income (loss) before contributions and transfers	(41,902)	(438)	75,198	32,858	25,157
Capital contributions	—	—	955	955	394
Transfers in (Note 12)	203,571	—	26	203,597	2,020
Transfers out (Note 12)	—	—	(64,788)	(64,788)	(5,088)
Change in net position	161,669	(438)	11,391	172,622	22,483
Total net position - July 1 - as previously reported	238,429	5,371	149,520	393,320	198,435
Adjustments to beginning net position (Note 2)	775	—	(36)	739	(48)
Total net position - July 1 - as adjusted	239,204	5,371	149,484	394,059	198,387
Total net position - June 30	\$ 400,873	\$ 4,933	\$ 160,875	\$ 566,681	\$ 220,870

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from sales and service	\$ 123,601	\$ 39	\$ 389,811	\$ 513,451	\$ 401,217
Payments to suppliers for goods and services	—	(234)	(157,519)	(157,753)	(111,606)
Payments to employees	—	(442)	(18,233)	(18,675)	(73,605)
Grant receipts (expenses)	7,504	—	51,913	59,417	4,030
Cash payments for claims	(765,477)	—	(161,605)	(927,082)	(198,245)
Cash payments for prizes	—	—	(79,042)	(79,042)	—
Other operating revenues	—	—	7,041	7,041	18,252
Other operating payments	—	—	(4,024)	(4,024)	(6,487)
Net cash provided by (used for) operating activities	(634,372)	(637)	28,342	(606,667)	33,556
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Collection of taxes	—	—	38,141	38,141	—
Transfer to other funds	—	—	(63,420)	(63,420)	(5,087)
Transfer from other funds	203,571	—	27	203,598	2,019
Proceeds from interfund loans/advances	—	—	2,761	2,761	2,081
Payment of interfund loans and advances	(1,500)	—	(295)	(1,795)	(49)
Payment of principal and interest on bonds and notes	—	(1,193)	(7)	(1,200)	(570)
Grant receipts and Federal indirect cost recoverable	566,990	—	65	567,055	—
Net cash provided by (used for) noncapital financing activities	769,061	(1,193)	(22,728)	745,140	(1,606)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	—	—	—	—	147
Acquisition of capital assets	—	—	(1,437)	(1,437)	(13,051)
Proceeds from sale of capital assets	—	—	1,213	1,213	1
Net cash provided by (used for) capital and related financing activities	—	—	(224)	(224)	(12,903)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	—	(20,621)	300	(20,321)	(12,780)
Proceeds (loss) on sales or maturities of investments	—	13,804	—	13,804	—
Proceeds (loss) from securities lending transactions/ investments	—	—	3	3	4
Interest and dividends on investments	7,548	13	490	8,051	787
Payment of securities lending costs	—	—	—	—	(1)
Collections of principal and interest on loans	—	23,752	—	23,752	—
Cash payment for loans	—	(25,609)	—	(25,609)	—
Net cash provided by (used for) investing activities	7,548	(8,661)	793	(320)	(11,990)
Net increase (decrease) in cash and cash equivalents	142,237	(10,491)	6,183	137,929	7,057
Cash and cash equivalents, July 1	248,066	26,546	140,966	415,578	223,048
Cash and cash equivalents, June 30	\$ 390,303	\$ 16,055	\$ 147,149	\$ 553,507	\$ 230,105

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (591,218)	\$ (438)	\$ 37,161	\$ (554,495)	\$ 20,281
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	—	—	1,119	1,119	14,251
Amortization	—	—	573	573	421
Securities lending expense	—	—	—	—	1
Investment earnings	(7,548)	(5)	(468)	(8,021)	(790)
Securities lending income	—	—	(3)	(3)	(4)
Financing income	—	(1,118)	—	(1,118)	—
Interest expense	—	866	7	873	403
Other revenue	776	—	—	776	4,551
Arbitrage rebate tax	—	(22)	—	(22)	—
Change in assets, deferred outflows, liabilities and deferred inflows:					
Decr (Incr) in accounts receivable	(53,975)	—	(4,826)	(58,801)	862
Decr (Incr) in due from other funds	—	—	(38)	(38)	67
Decr (Incr) in due from component units	—	—	—	—	9
Decr (Incr) in due from other governments	(355)	—	(386)	(741)	(10)
Decr (Incr) in inventories	—	—	(1,773)	(1,773)	(45)
Decr (Incr) in other assets	—	—	35	35	(2,778)
Incr (Decr) in accounts payable	17,948	(6)	(2,257)	15,685	(845)
Incr (Decr) in due to other funds	—	—	(2,805)	(2,805)	152
Incr (Decr) in due to other governments	—	—	107	107	—
Incr (Decr) in lottery prizes payable	—	—	1,306	1,306	—
Incr (Decr) in unearned revenue	—	—	(209)	(209)	(192)
Incr (Decr) in amounts held in custody for others	—	—	—	—	(45)
Incr (Decr) in compensated absences payable	—	31	54	85	593
Incr (Decr) in total OPEB liability	—	—	1,364	1,364	5,709
Incr (Decr) in estimated claims	—	—	120	120	(3,581)
Incr (Decr) in other payables	—	(11)	(6)	(17)	(2,343)
Incr (Decr) in net pension liability and related accounts	—	66	(733)	(667)	(3,111)
Net cash provided by (used for) operating activities	\$ (634,372)	\$ (637)	\$ 28,342	\$ (606,667)	\$ 33,556
Schedule of noncash transactions:					
Capital asset acquisitions from contributed capital	\$ —	\$ —	\$ 955	\$ 955	\$ 395
Incr (Decr) in fair value of investments	—	3	338	341	275
Total noncash transactions	\$ —	\$ 3	\$ 1,293	\$ 1,296	\$ 670

The notes to the financial statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**

JUNE 30, 2021

(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	CUSTODIAL FUNDS
ASSETS				
Cash/cash equivalents (Note 3)	\$ 187,408	\$ 39,493	\$ 1,854,550	\$ 8,165
Receivables (net):				
Accounts receivable	25,716	—	—	621
Interest	14	—	187	—
Due from primary government	35,825	—	—	—
Due from other PERB plans	1,734	—	—	—
Long-term loans/notes receivable	8	—	—	—
Total receivables	63,297	—	187	621
Investments at fair value:				
Equity in pooled investments (Note 3)	14,397,166	—	12,953	—
Other investments (Note 3)	1,091,293	206,088	—	—
Total investments	15,488,459	206,088	12,953	—
Securities lending collateral (Note 3)	83,372	—	234	—
Capital Assets:				
Buildings/improvements	316	—	—	—
Equipment	133	—	—	—
Accumulated depreciation	(170)	—	—	—
Intangible assets	3,884	—	—	—
Total capital assets	4,163	—	—	—
Other assets	—	29,964	—	2,887
Total assets	15,826,699	275,545	1,867,924	11,673
DEFERRED OUTFLOWS OF RESOURCES	1,076	—	—	—
LIABILITIES				
Accounts payable	1,767	12	150	2,579
Due to primary government	8	—	—	—
Due to other PERB plans	1,734	—	—	—
Unearned revenue	83	—	—	—
Securities lending liability (Note 3)	83,372	—	234	—
Compensated absences payable	726	—	—	—
Net pension liability (Note 6)	1,921	—	—	—
Total OPEB liability (Note 7)	796	—	—	—
Total liabilities	90,407	12	384	2,579
DEFERRED INFLOWS OF RESOURCES	242	—	—	—
NET POSITION				
Restricted for:				
Pensions	15,048,021	—	—	—
Postemployment benefits other than pensions	689,105	—	—	—
Pool participants	—	—	1,867,540	—
Individuals, organizations, and other governments	—	275,533	—	9,094
Total net position	\$ 15,737,126	\$ 275,533	\$ 1,867,540	\$ 9,094

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	CUSTODIAL FUNDS
ADDITIONS				
Contributions/premiums:				
Employer	\$ 288,688	\$ —	\$ —	—
Employee	268,411	—	—	—
Other contributions	121,465	21,468	1,536,607	—
Investment earnings:				
Net increase in fair value of investments	3,487,911	31,186	(186)	—
Interest, dividends, and other	23,931	1	4,228	3
Securities lending income	1,011	—	1	—
Total investment earnings	3,512,853	31,187	4,043	3
Less investment costs:				
Administrative investment expense	83,504	—	—	—
Securities lending expense	200	—	—	—
Net investment earnings	3,429,149	31,187	4,043	3
Charges for services	849	—	—	—
Other additions and miscellaneous	2,124	8,234	—	61,651
Total additions	4,110,686	60,889	1,540,650	61,654
DEDUCTIONS				
Benefits	1,039,868	—	—	—
Refunds	32,147	—	—	—
Distributions	—	31,274	1,392,012	62,674
Administrative expenses	15,316	883	—	16
Local assistance	13	—	—	—
Transfers to MUS-RP	264	—	—	—
Transfers to PERS-DCRP	2,328	—	—	—
Total deductions	1,089,936	32,157	1,392,012	62,690
Change in net position	3,020,750	28,732	148,638	(1,036)
Net position - July 1 - as previously reported	12,716,675	248,114	1,718,902	8,817
Adjustments to beginning net position (Note 2)	(299)	(1,313)	—	1,313
Net position - July 1 - as adjusted	12,716,376	246,801	1,718,902	10,130
Net position - June 30	\$ 15,737,126	\$ 275,533	\$ 1,867,540	\$ 9,094

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the State of Montana (State) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

For financial reporting purposes, the State includes funds that comprise the primary government and its component units. The component units are entities that the State is financially accountable for, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body, and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discretely Presented Component Units

These component units are entities that are legally separate from the State because they possess corporate powers, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The condensed financial statements, presented in Note 18, include the financial data of the entities listed below.

Complete financial statements for each of the individual discretely presented component units, which are separately issued and audited, may be obtained at the following addresses:

Montana Board of Housing 301 South Park, Room 240 PO Box 200528 Helena, MT 59620-0528	Montana State Fund 855 Front Street PO Box 4759 Helena, MT 59604-4759
Facility Finance Authority 2401 Colonial Drive, 3 rd Floor PO Box 200506 Helena, MT 59620-0506	Universities and Colleges Commissioner of Higher Education 560 North Park Ave, 4th Floor PO Box 203201 Helena, MT 59620-3201

Montana Board of Housing (MBOH) – MBOH, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The State of Montana has the ability to modify or approve: the budget, the rate or fee changes affecting revenues, and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of MBOH. The board was created in 1975 to facilitate the availability of safe and affordable housing to persons and families of lower-income. MBOH issues negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed \$1.5 billion. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. MBOH is attached to the Department of Commerce for administrative purposes only. MBOH is audited annually by the State's Legislative Audit Division.

Facility Finance Authority (FFA) – FFA, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The State of Montana has the ability to modify or approve: the budget, the rate or fee changes affecting revenues, and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of FFA. FFA assists

eligible, nonprofit Montana health care and other community-based service providers to obtain and maintain access to the broadest range of low-cost capital financing as possible. FFA issues revenue bonds to fulfill its purposes. Neither the faith and credit or taxing power of the State of Montana may be pledged for the amounts so issued. FFA is attached to the Department of Commerce for administrative purposes only. Individual financial reports are issued every two years and are audited by the State's Legislative Audit Division.

Montana State Fund (MSF) – MSF is a nonprofit, independent public corporation established under Title 39, Chapter 71 of the Montana Code Annotated (MCA). MSF provides Montana employers with an option for workers' compensation and occupational disease insurance and guarantees available coverage for all employers in Montana. MSF is governed by a seven-member Board of Directors appointed by the Governor with the advice and consent of the Senate. This Board has full power, authority, and jurisdiction in the administration of MSF. MSF's results are included in the State's Annual Comprehensive Financial Report because of the significance of MSF's financial relationship with the State. MSF's board is allocated to the Department of Administration for administrative purposes only. MSF is reported on a calendar year basis and is audited annually by the State's Legislative Audit Division and is also regulated by the Montana State Auditor's Office as an authorized insurer that is subject to the provisions of Title 33, Montana Insurance Code.

MSF functions as an autonomous insurance entity supported solely from its own revenues. All assets, debts, and obligations of MSF are separate and distinct from assets, debts, and obligations of the State of Montana. If MSF is dissolved by an act of law, the assets held by MSF are subject to the disposition provided by the Legislature enacting the dissolution with due regard given to obligations incurred and existing (Section 39-71-2322, MCA).

MSF handles the administration of the claims of Montana State Fund and State of Montana (Old Fund), including determining who a claimant is; what, if any, claims will be paid; and the amount of claims allowed to be paid. Old Fund covers workers' compensation claims that were incurred before July 1, 1990, and is reported within the governmental activities of the primary government, on the government-wide financial statements.

Universities and Colleges – The Montana Constitution, Article X, Section 9, grants governance authority over the Montana University System (MUS) to the Board of Regents (Board), with seven members appointed by the Governor and confirmed by the Senate. All state funds appropriated by the Legislature to the Board for the support of the MUS are channeled through the Office of the Commissioner of Higher Education (OCHE). The Constitution charges the Board with hiring a Commissioner of Higher Education who serves as its executive staff. OCHE is the state-level administrative organization of the MUS.

The Board has responsibility for the following institutions: Montana State University - Bozeman and the units under it including Montana State University - Billings, Montana State University - Northern, and Great Falls College Montana State University; and University of Montana - Missoula and the units under it including Montana Technological University, University of Montana - Western, and Helena College University of Montana. All units are funded through state appropriations, tuition, federal grants, and private donations and grants. The universities are audited annually by the State's Legislative Audit Division.

Though the following organizations perform functions related to the MUS, they are not considered part of Montana's reporting entity: (1) Community Colleges which are considered part of local units of government; (2) the Montana Higher Education Student Assistance Corporation, a private nonprofit corporation; and (3) the Student Assistance Foundation of Montana, a private nonprofit corporation. Entities such as local school districts and local authorities of various kinds are considered part of local units of government and have not been included. The state and federal support of local public education systems is reported in the General Fund, the State Special Revenue Fund, and the Federal Special Revenue Fund.

Fiduciary Fund Component Units

Complete financial statements for each of the individual fiduciary fund component units may be obtained at the following addresses:

Teachers' Retirement System
100 North Park Avenue, Suite 110
PO Box 200139
Helena, MT 59620-0139

Public Employees' Retirement Board
100 North Park Avenue, Suite 200
PO Box 200131
Helena, MT 59620-0131

Teachers' Retirement System (Pension Trust Fund) – This retirement plan is a legally separate entity with a board appointed by the Governor. Its purpose is to provide retirement, disability, death, and lump-sum payments to benefit recipients of Montana's public teaching profession. The plan is funded from employer and employee contributions, investment earnings, and the State's General Fund. The benefit payments and administrative costs of the Teachers' Retirement System are paid from the same funding sources. The system is audited annually by the State's Legislative Audit Division. Further detail related to the Teachers' Retirement System is provided in Note 6.

Public Employees' Retirement Board (Pension and Other Employee Benefit Trust Funds) – The Public Employees' Retirement Board (PERB) is appointed by the Governor and administers ten separate plans for the purpose of providing retirement, disability, death, and lump-sum payments to plan members. These legally separate plans include the Public Employees' Retirement Plan – Defined Benefit and Defined Contribution and the associated education funds; the Judges'; the Highway Patrol Officers'; the Sheriffs'; the Game Wardens' and Peace Officers'; the Municipal Police Officers'; the Firefighters' Unified Retirement Systems; the Volunteer Firefighters' Compensation Act; and the State of Montana Deferred Compensation Program (457(b) Plan) retirement plans. The board also administers an Other Post Employment Benefit (OPEB) disability plan on behalf of Public Employees' Retirement Plan-Defined Contribution members. The board is audited annually by the State's Legislative Audit Division. Further detail related to the PERB is provided in Note 6 and its OPEB plan information in Note 7.

B. Government-wide and Fund Financial Statements

The government-wide financial statements, Statement of Net Position and Statement of Activities, report information on all of the non-fiduciary activities of the State of Montana and its component units. For the most part, the impact of interfund activity has been removed from these statements. Governmental activities, which are normally supported by fees, taxes, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the State of Montana is reported separately from certain legally separate component units for which the State is financially accountable.

The Statement of Activities demonstrates the degree to which program revenues offset the direct expenses of a function. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expense reported for the individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues. The State does not allocate indirect expenses to functions in the Statement of Activities.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Fiduciary fund statements are reported only in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned; expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements imposed by the provider are met.

As a general rule, material interfund revenues and expenses have been eliminated from the government-wide financial statements. These have not been eliminated where their elimination would distort the direct costs and program revenues of the functions involved.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are realizable, measurable, earned, and available. Revenue is considered realizable when it is probable the amount will be collected. Revenue is considered measurable and realizable if the precise amount is known because the transaction is completed, or if there is enough information to provide a reasonable estimate of the net realizable revenue to be received. Revenue is considered to have been earned when the exchange of goods or services has taken place. Revenue is considered to be available if it is collectible within the current period or soon enough thereafter, to pay liabilities of the current period. For this purpose, the State considers revenue available if it is expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures relating to compensated absences, claims, and judgments are recorded only when payment is due.

The major revenue sources considered susceptible to accrual are licenses and permits, natural resource taxes, individual income taxes, corporate income taxes, property taxes, fuel taxes, and certain federal revenues (reimbursable grants and U.S. mineral royalties). All other revenue is considered to be measurable and available when the cash is received.

Fund Financial Statements

The State uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The financial activities of the State of Montana are classified into fund categories as described below:

Governmental Funds

General Fund – To account for all governmental financial resources, except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources restricted to expenditure for specified purposes other than major capital projects. (1) The State Special Revenue Fund accounts for activities funded from state resources used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Several funds are defined in statute as Permanent Funds, however per GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), these funds should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately a \$96.0 million increase. One specific fund is defined in statute as a Federal Special Revenue Fund; however, per GASB 54, this fund should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately a \$27.7 million increase. (2) The Federal

Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

Debt Service Funds – To account for resources accumulated for payment of principal and interest on general long-term obligation debt.

Capital Projects Funds – To account for resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Permanent Funds – To account for resources that are permanently restricted to the extent that only earnings, not principal, may be used to support the government's programs. Several funds are defined in statute as Permanent Funds, however per GASB 54 these funds should be reported within the State Special Revenue Fund as noted above.

Proprietary Funds

Enterprise Funds – To account for operations: (1) financed and operated similar to private business enterprises, where the intent of the Legislature is to finance or recover costs primarily through user charges; (2) where the Legislature has decided periodic determination of revenue earned, expenses incurred, or net income is appropriate; (3) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (4) when laws or regulations require that the activities' costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. The primary focus of fee revenues charged by enterprise funds is users outside of the primary government. One specific fund is defined in statute as an Enterprise Fund, however, per GASB 34, this fund should be reported within Internal Service Funds. The respective effect on net position is approximately a \$5.9 million increase.

Internal Service Funds – To account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental entities on a cost-reimbursement basis.

The State of Montana reports two employee group benefits funds. The MUS Group Insurance Fund primarily charges its fees to Montana State University and the University of Montana. The universities are reported as discretely presented component units, which the State considers to be external users, and as such, reports the MUS Group Insurance Fund as an enterprise fund. The Employee Group Benefits Fund charges its fees to funds of the primary government, and as such, is reported as an internal service fund.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, or other governments. These assets cannot be used to support the government's own programs.

Pension (and Other Employee Benefit) Trust Funds – To account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit plans, defined contribution plans, other retirement plans, and other post-employment benefit plan. Plan members receive retirement, disability, death, and lump-sum payments from the fund. Further detail related to the individual plans is provided in Note 6 and Note 7.

Private-Purpose Trust Funds – To account for assets held by the State in a trustee capacity, where both the principal and earnings benefit individuals, private organizations, or other governments. For example, unliquidated security bonds held on deposit from self-insured employers.

Investment Trust Fund – To account for the receipt of monies and the distribution of related investment earnings to local government agencies by the Montana Board of Investments for investment in the Short Term Investment Pool (STIP) and Trust Fund Investment Pool (TFIP).

Custodial Funds – To account for transactions related to assets held by the State as an agent for individuals, private organizations, and other governments. For example, monies belonging to one parent submitted by another, as is the case with child support payments.

Major Governmental Funds

The General Fund is the State's primary operating fund, as previously defined.

The State Special Revenue Fund accounts for activities funded from state sources, which are restricted either legally or administratively for particular costs of an agency, program, or function.

The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

The Coal Severance Tax Fund, created by Article IX, Section 5 of the Montana State Constitution, receives 50% of all coal tax collections. The principal in this fund can be expended only upon an affirmative vote of three-fourths of each house of the Legislature.

The Land Grant Permanent Fund accounts for lands granted to the State for support of public schools and state institutions.

Major Enterprise Funds

The Unemployment Insurance Fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of the State's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients. For fiscal year 2021, federal contributions were also made to this fund due to increased claims related to the statewide unemployment impact of COVID-19.

The Board of Investments (BOI) Municipal Finance Programs Fund accounts for the programs created under the Municipal Finance Consolidation Act (MFCA) and the Economic Development Act. Primarily, this involves a MFCA revolving loan program that provides variable low interest rate loans to eligible Montana State agencies, universities, and local governments for a variety of projects statutorily defined. The funding for the revolving loan program is from the issuance of put bonds. The MFCA program also provides local government entities access to tax-exempt funds through the issuance of conduit (no-commitment) debt. In previous years this activity was referred to as the Economic Development Bonds Fund. Separately issued financial statements may be obtained by contacting the Montana Board of Investments, 2401 Colonial Drive, 3rd Floor, PO Box 200126, Helena, MT 59620-0126.

D. Proprietary Activity Accounting and Financial Reporting

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating.

E. Cash/Cash Equivalents

For all funds, cash and cash equivalents consist of amounts deposited in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in the Short Term Investment Pool (STIP), cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents, which are short-term, highly liquid investments with original maturities of three months or less. Further detail related to cash and cash equivalents is provided in Note 3.

F. Receivables

This classification, net of estimated uncollectibles, consists primarily of receivables for goods sold and services provided; short-term loans and notes; interest and dividends; taxes due within 60 days of fiscal year-end; and income, withholding, and inheritance taxes that are past due. An allowance for uncollectible taxes is provided based upon historical analysis. Further detail related to receivables is provided in Note 4.

G. Inventories

Inventories of materials and supplies are reported at cost. The State allows agencies to use any generally accepted inventory pricing method but specifies the first-in, first-out method generally to be appropriate for most agencies. Governmental funds use the "purchase method," meaning inventory purchases are recorded as expenditures. At fiscal year-end, inventory balances are shown as nonspendable, indicating they do not constitute available expendable resources. Proprietary and fiduciary funds report using the "consumption method," meaning inventories are expensed as used.

H. Equity in Pooled Investments

To account for equity in pooled investments, BOI uses one internal investment pool and one external investment pool. The internal investment pool is the Consolidated Asset Pension Pool (CAPP). The State's nine defined benefit pension trust funds are the only participants in CAPP. The external investment pool is the Trust Funds Investment Pool (TFIP). State agencies and qualifying local governments can participate in TFIP. Current State agency TFIP participation is within the enterprise funds, internal service funds, permanent funds, investment trust funds, Montana University System Units, and specific accounts established within the State and Federal Special Revenue Funds. The participant investments in the pools are reported at fair value in the assets within the individual funds. Further detail related to cash and cash equivalents and investments is provided in Note 3.

I. Investments

For agencies whose investment needs are not met by BOI's established investment pools, BOI provides separate investments, which are combined and reported as Separately Managed Accounts (SMA). SMA participants have direct fixed income, equity, and Montana mortgage and loan investments. SMA investments are reported at fair value. Certain securities including asset-backed securities, variable-rate instruments, zero-coupon bonds, preferred stocks, and mortgage-backed securities are purchased for portfolio diversification and a competitive rate of return. Other State agencies, on a limited basis by statute, may administer other long-term investments. Most investments are reported at fair value on the Statement of Net Position. Further detail related to investments is provided in Note 3.

J. Capital Assets

Capital asset valuation is based on actual historical cost or, in the case of donations, acquisition value. General government infrastructure capital assets are capitalized and reported on the government-wide financial statements. Infrastructure assets of proprietary funds are capitalized on the fund financial statements. Interest incurred during the construction of capital assets for proprietary funds is capitalized. Interest incurred during the construction of capital assets for higher education component units is expensed. The State has chosen to use the depreciation approach for infrastructure assets. The State is reporting accumulated depreciation on the Statement of Net Position and depreciation expense on the Statement of Activities for these assets. Further detail related to capital assets is provided in Note 5.

Capital assets in proprietary, private-purpose trust, and pension trust funds are accounted for within their respective funds and are depreciated or amortized on their fund financial statements. Capital assets in governmental funds are accounted for in the governmental activities of the government-wide financial statements, as is the associated depreciation and amortization. Depreciation is on a straight-line basis with estimated useful lives of 25 to 60 years for buildings, 10 to 50 years for infrastructure, 7 to 20 years for building improvements, and 3 to 10 years for equipment. State agencies are also required to extend or shorten the useful lives of capital assets to reflect their actual experience or industry standards when appropriate. Amortization is on a straight-line basis with estimated useful lives of 4 years for software (internally and externally generated), 30 years for land use rights, and 20 years for other intangibles.

The capitalization limit for buildings and building/land improvements is \$25.0 thousand. The capitalization threshold for infrastructure and internally-generated software is \$500.0 thousand. The capitalization threshold for intangible assets is \$100.0 thousand. The capitalization limit for other capital assets is \$5.0

thousand. Agencies are allowed to capitalize additions to collections and land acquisitions at any cost. Purchases under these thresholds are recorded as expenditures/expenses in the current period.

K. Deferred Outflows, Deferred Inflows, and Unearned Revenue

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows and inflows of resources may include financial transactions related to refunding debt, non-exchange transactions, derivative investments, and OPEB, and pension related components; and are reported on the government-wide, proprietary fund, and fiduciary fund financial statements. Additionally, deferred inflows of resources may include financial transactions related to unavailable revenue on the governmental fund financial statements. Unavailable revenue is reported when assets are recognized, but those assets are not considered available to pay liabilities of the current period. Unearned revenue, which is neither a deferred outflow of resources nor a deferred inflow of resources; is recognized as a liability on government-wide, governmental, and proprietary fund financial statements. Further detail related to deferred outflows of resources and deferred inflows of resources is provided in Note 4.

L. Long-term Obligations

Long-term obligations expected to be financed from governmental funds are reported on the government-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from current expendable available financial resources is reported as a fund liability of a governmental fund on the fund financial statements. The remaining portion of such obligations is reported on the government-wide financial statements. Long-term liabilities expected to be financed from proprietary and fiduciary fund operations are accounted for in those funds. Further detail related to leases/installment purchases payable and long-term liabilities is provided in Note 10 and Note 11, respectively.

M. Capital Leases

A capital lease is a lease that transfers benefits and risks of ownership to the lessee. At the inception of a capital lease, on the government-wide, proprietary fund, and fiduciary fund financial statements, a capital asset and a capital lease liability are recorded at the present value of the future minimum lease payments. On the governmental fund financial statements no asset or liability is recorded related to assets under capital leases. Governmental funds record capital outlay expenditures and other financing sources (inception of lease/installment contract), at the inception of a capital lease, at net present value of the minimum lease payments. Further detail related to capital leases is provided in Note 10.

N. Bond Discounts/Premiums/Issuance Costs

Bond premiums and discounts, as well as issuance costs, are recognized in the period they are incurred. Bond proceeds and bond premiums are reported as an other financing sources, and bond discounts are reported as an other financing use. Issuance costs are reported as debt service expenditures whether or not they are withheld from the bond proceeds. Bonds payable are recorded net of any applicable premium or discount. Further detail related to long-term debt is provided in Note 11.

O. Compensated Absences

Full-time state employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Teachers employed by the State do not receive vacation leave. Vacation leave may be accumulated and carried over from one year to the next. The carryover is limited to two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Each contribution year, an employee may contribute a maximum of 80 hours of sick or annual leave to a nonrefundable sick leave pool. Excess annual leave that is being forfeited can also be contributed, with no maximum contribution. For fiscal year 2021, 1,352 sick leave

hours, 185 annual leave hours, and 4,818 excess annual leave hours were contributed to the sick leave pool, and 5,608 hours were withdrawn, leaving a balance of 17,626 hours in the pool. The liability associated with the pool is not reported in the accompanying financial statements because these hours are nonrefundable to contributors, except by grants approved through an application process.

Vested or accumulated leave for proprietary and fiduciary funds is recorded as an expense and liability of those funds in the fund financial statements. For governmental funds, the liability is not expected to be liquidated with expendable financial resources. The expenditure and liability for the governmental funds is reported only on the government-wide financial statements. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave. Further detail related to compensated absences is provided in Note 11.

P. Nonexchange Financial Guarantee

BOI provides loan guarantees from the Coal Severance Tax Fund to the Facility Finance Authority (FFA), a discretely presented component unit of the State. BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled \$100.2 million as of June 30, 2021. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI and FFA have entered into an agreement detailing repayment to BOI. BOI has not had to perform on any loan guarantee in the past.

Q. Fund Balance/Net Position

Fund Balance

The classifications for fund balance used for governmental funds are reported in two general classifications, nonspendable and spendable. Nonspendable represents the portion of fund balance that is legally or contractually required to remain intact or is not in spendable form such as inventories, and, in the General Fund, long-term notes and loans receivable. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by the State Constitution or external parties, such as the federal government, or through enabling legislation. For the purpose of determining restricted amounts, enabling legislation does not include commitments resulting from State legislation if these constraints can be removed or changed by a similar legislative action.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the State's Legislature, through legislation passed into law.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes. Still they do not meet the criteria to be classified as restricted or committed. Assignments of fund balance are created by the executive branch. In governmental funds other than the General Fund, assigned fund balance also represents the remaining amount that is not restricted or committed. The assigned fund balance for the General Fund are encumbrances and assignments for the portion of current General Fund balance that is projected to be used to fund expenditures and other cash outflows in excess of the expected revenues and other cash inflows in fiscal years as needed. The projected spend down for fiscal year 2022 is \$75.0 million; thus, a related assignment of fund balance is reported at 2021 fiscal year-end.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be

used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The State generally segregates restricted, committed, and assigned resources by account (sub-fund) within the governmental funds other than the General Fund. When resources meeting more than one of these spendable classifications are commingled in an account on the State's accounting system, the assumed order of spending is restricted first, committed second, and finally assigned. State statute requires non-General Fund money be spent first whenever possible so any related available unassigned balance would be spent last.

General Fund - Fund Balance

As of June 30, 2021, the State maintains a Budget Stabilization Reserve Fund as required by statute. For financial reporting purposes, this fund is combined with the General Fund as it does not meet the GASB 54 requirements to be a special revenue fund as the Legislature prescribed. The June 30, 2021, committed fund balance in the General Fund of \$114.2 million, represents the Budget Stabilization Reserve Fund balance.

Additionally, statute provides a minimum fund balance amount as follows: Section 17-7-140, MCA, defines minimum ending fund balance and specifies the procedures that must be followed to make expenditure reductions or allow transfers from the Budget Stabilization Reserve Fund if a projected ending fund balance drops below minimum statutory requirements.

If the Budget Director determines that a deficit exists, statute requires reductions that must be made to assure that the projected ending fund balance complies with the minimum ending fund balance of General Fund appropriations for the biennium. Under circumstances when a deficit of this level is projected during a biennium, the Governor may direct reductions from any General Fund expenditure not exempted by Section 17-7-140, MCA, including House Bill (HB) 2 (the State's main appropriation bill), any other appropriation bills, statutory appropriations, or language appropriations. Reductions may not exceed 10% of General Fund appropriations for any single "program," as defined in HB 2. If a program has more than one appropriation, the reduction for one or more of the appropriations may exceed 10% as long as the reduction for the program as a whole does not exceed 10%.

The Legislative and Judicial branches, the Montana School for the Deaf and Blind, principal and interest on State debt, salaries of elected officials, and public school BASE funding are exempt, statutorily, from reductions. These exemptions shield approximately one-third of General Fund appropriations from reduction. Of the remaining expenditures, the Governor may not direct executive agencies headed by elected officials or the Board of Regents to reduce their expenditures by more than the average reduction percentage imposed upon all other executive branch agencies.

Net Position

In funds other than governmental, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in the capital assets portion of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Position reported restricted net position of \$4.1 billion.

Net position associated with the Unemployment Insurance Fund is classified as restricted. The majority of the restricted net position for other purposes business-type activities amounting to \$119.8 million is made up of \$97.4 million from MUS Group Insurance Fund and \$12.9 million from MUS Workers Compensation Fund. Certain investments of the Municipal Finance Programs Fund are also classified as restricted net position for other purposes as business-type activities and on the Statement of Fund Net Position for proprietary funds because applicable bond indenture agreements limit their use.

R. Property and Income Taxes

Real property taxes are normally levied in October and are usually payable in two installments on November 30 and May 31. These taxes attach as an enforceable lien immediately if not paid when due.

Personal property tax levies are set each August, and notices are normally mailed the following March or April. Half of mobile home taxes are due in 30 days and the remaining half on September 30. Taxes on all other types of personal property are to be paid in full 30 days after receipt of the notice. Property tax payments are recognized as deferred inflows of resources if received prior to levy or availability.

Personal property taxes attach as an enforceable lien immediately if not paid when due. Each of Montana's 56 counties collect property taxes. The counties then remit the State's portion to the State Treasury. The majority of these taxes help fund public school systems and higher education.

Calendar year 2020 State income tax filing deadline, normally April 15th of the subsequent year, was delayed to May 17, 2021, due to COVID-19 pandemic. The State has determined that extending the income tax filing deadline did not have a material adverse effect on the State's liquidity for fiscal year 2021, nor will it in fiscal year 2022.

S. Other Taxes

On the Statement of Activities, the revenue category "Other Taxes" consists of the following taxes (in thousands):

	General Fund	State Special Revenue	Other Governmental Funds	Business-Type Funds	Total
Accommodations	\$ 23,454	\$ 33,175	\$ 6,254	\$ 5	\$ 62,888
Agriculture	—	11,734	—	—	11,734
Car rental	3,624	1,208	—	—	4,832
Cigarette/tobacco/etc.	33,477	49,031	1,604	—	84,112
Contractors gross receipts	3,897	—	—	—	3,897
Energy tax	6,350	—	—	—	6,350
Fire protection	—	4,628	—	—	4,628
Insurance premium	87,263	50,240	—	—	137,503
Light vehicle registration	—	6,310	—	—	6,310
Liquor tax	5,996	2,419	—	38,136	46,551
Livestock	—	5,316	—	—	5,316
Other taxes	164	1,102	—	—	1,266
Public service commission	—	5,356	—	—	5,356
Railroad car companies	5,194	—	—	—	5,194
Telephone license	8,888	—	—	—	8,888
Video gaming	74,917	2	—	—	74,919
Total other taxes	\$ 253,224	\$ 170,521	\$ 7,858	\$ 38,141	\$ 469,744

T. Tax Abatement

In the Montana Board of Investment's (BOI) Commercial Loan Program within the SMA, by statute, the infrastructure loan program is funded by an \$80.0 million allocation. Eligible local governments request a loan for constructing or purchasing infrastructure to be used by a basic sector business. The basic sector business will pay a user fee to the local government that is pledged to BOI for the loan repayment. BOI reviews each loan, and only upon verification that the entities meet the loan requirements is the loan approved by BOI. The local government entity must pass a resolution authorizing the acceptance of the commitment agreement. BOI indemnifies the local government regarding repayment of the loan.

The basic sector business must create at least 15 full-time basic sector jobs to be eligible for the program. The maximum loan size is \$16.7 thousand times the number of full-time jobs created and the minimum loan size is \$250.0 thousand. The maximum loan term is 25 years. There is also up to a 2.5% interest rate reduction for job creation. The reduction will be reflected in the user fee rate charged to the basic sector business upon BOI review and approval. The basic sector business must create the required jobs within four years of the agreement. If the basic sector business does not create the required jobs within the four-year period, then the basic sector business must pay down the loan balance of the local government entity until the loan balance matches the eligible amount per the jobs created. BOI may increase the interest rate commensurate with the number of jobs eliminated if the borrower eliminates 10 or more qualifying jobs. The basic sector business must annually provide payroll documentation to BOI.

Pursuant to statute, a business that is created or expanded as the result of an Infrastructure Loan is entitled to a credit against either their State individual income taxes or corporate income taxes for the portion of the fees attributable to the use of the infrastructure. The total amount of tax credit claimed may not exceed the amount of the loan. The credit may be carried forward for seven years or carried back for three years.

During the fiscal year ended June 30, 2021, basic sector business entities made total user fee payments of \$1.8 million, representing \$1.3 million of principal and \$0.5 million in interest. During the fiscal year ended June 30, 2021, a total of \$5.3 million was claimed as a credit against State individual and corporation tax. The following table details the fiscal year 2021 credit claimed by tax type and the tax year it was applied against (in thousands):

Infrastructure Credit Claimed			
	Tax Year 2020	Tax Year 2019	Total
Corporate income tax	\$ —	\$ 265	\$ 265
Individual income tax	34	4,965	4,999
Total amount claimed	\$ 34	\$ 5,230	\$ 5,264

U. Irrevocable Split Interest Agreements

Irrevocable split-interest agreements are used by donors to provide resources to two or more beneficiaries, including governments. These agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements. The University of Montana campuses have three irrevocable split interest agreements during the fiscal year ended June 30, 2021. Further detail related to these agreements is provided in Note 3.

NOTE 2. OTHER ACCOUNTING CHANGES**A. New Accounting Guidance Implemented**

For the year ended June 30, 2021, the State of Montana early implemented the provisions of GASB Statement No. 98, *The Annual Comprehensive Financial Report* (GASB 98). This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

For the year ended June 30, 2021, the State of Montana implemented the provisions of GASB Statement No. 92, *Omnibus 2020* (GASB 92). The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics of which the following have implications for the State of Montana: (1) Under GASB 10, amounts recoverable from reinsurances for paid claims were required to be accounted for as assets and expense reductions. Under GASB 92, paid claims and claim adjustments expenses may be reported as reductions of expenses but are not required to be. (2) The terms derivative and derivatives in National Council on Governmental Accounting and GASB pronouncements should be replaced with derivative instrument and derivative instruments, respectively.

For the calendar year ended December 31, 2020, Montana State Fund (MSF), a discretely presented component unit of the State, early implemented the provisions of GASB Statement No. 87, *Leases*. Accordingly, for all of its long-term leases, MSF will no longer be reporting leases as an operating lease and has created an intangible right-to-use lease asset and lease liability. The assets are amortized over the term of the lease, while the liabilities are reduced as scheduled lease payments are made. The State did not early implement GASB 87 for the year ended June 30, 2021.

B. Adjustments to Beginning Net Position

Prior period adjustments reported in the accompanying financial statements relate to corrections of errors from prior periods. The most significant of these adjustments affected the governmental activities and related to long-term liability and natural resource expenditure understatement in the amount of \$61.0 million.

NOTE 3. CASH/CASH EQUIVALENTS AND INVESTMENTS

This note details the following asset classifications (in thousands):

Cash/cash equivalents	\$	6,678,033
Equity in pooled investments	\$	17,142,801
Investments	\$	3,865,333

Carrying amounts for the bank balance for cash deposits and fair values for the State's cash equivalents and investments are presented in Tables 1 through 4.

A. General

Outside of statutory requirements, the State does not maintain a statewide risk policy for cash/cash equivalents or investments held outside of the Montana Board of Investments (BOI). The investment risk policy for State cash/cash equivalents and investments including the BOI Municipal Finance Programs Fund deposits and investments managed by BOI, have been detailed below.

(1) **BOI** was created by the Legislature to manage the Unified Investment Program (UIP) established by the State Constitution. The UIP is comprised of involuntary participating state funds, including pensions, trusts, insurance, operating funds, and by statute voluntarily participating local government funds. BOI manages the UIP pursuant to the “Prudent Expert Principle” mandated by State law, which requires an investment manager to:

1. discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;
2. diversify the holdings of each fund within the UIP to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and
3. discharge the duties solely in the interest of and for the benefit of the funds forming the UIP.

BOI is not registered with the U.S. Securities and Exchange Commission as an investment company. BOI's investment program is governed by Investment Policy Statements (IPS) approved by BOI.

State agencies and local government entities may participate in one or more pools. By investing in pools, participants are provided broad diversification. State agencies may also have direct fixed income, equity, or loan investments. These investments are combined and reported as Separately Managed Accounts (SMA). Currently, only the nine retirement funds that participate in the Consolidated Asset Pension Pool (CAPP), the Defined Contribution Disability Plan, and the Montana State Fund (MSF) may invest in public corporate capital stock. Neither State law nor the State Constitution place restrictions on retirement fund investments. BOI approves a separate IPS for each pool and SMA participant, which provides BOI staff with a broad strategic framework under which the investments are managed. The IPS's also reflect BOI approved asset allocation ranges.

By statute, local government entities can voluntarily invest in the Short Term Investment Pool (STIP). By statute, with a qualifying event, local government entities may also voluntarily invest in the Trust Funds Investment Pool (TFIP).

Separately issued investment pool financial statements may be obtained by contacting:

Montana Board of Investments
2401 Colonial Drive, 3rd Floor
PO Box 200126
Helena, MT 59620-0126

BOI's separately issued UIP financial statements include the activity for MSF within SMA on a June 30, 2021, basis. MSF, a discretely presented component of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting periods, there will be a variance between the note disclosures and the financial statements for cash/cash equivalents and investments.

(a) Cash and cash equivalents consist of funds deposited by individual funds in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in STIP, cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents.

Cash deposited with the State Treasurer's pooled cash account is invested by BOI in short-term securities and other investments. Because these funds are immediately available to the individual funds, their investment in the pooled cash account is reported as a cash equivalent. BOI also manages STIP, which provides individual State agencies and local governments an opportunity to invest excess cash in a pool that is managed to preserve principal while providing 24-hour liquidity. Because these pooled funds are invested in short-term, highly liquid investments, the individual fund investments in the STIP are reported as a cash equivalent.

(b) Investment securities are reported by investment portfolio and type in Table 2 – Cash Equivalents, Table 3 – Equity in Pooled Investments, and Table 4 – Investments. Unrealized gains and losses are included as a component of investment income. Unrealized gains and losses are computed based on changes in the fair value of investments held from the beginning of the year, but unsold at the fiscal year-end. The net change in fair value of investments also consists of the realized gains or losses. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Investments reported at fair value are on a trade date basis. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market price represent estimated fair value. Alternative investment securities are valued using the most recent estimates of fair value from the investment managers. Fair value measurements are reviewed monthly, and third-party valuations are reviewed for reasonableness and compliance with approved price source authorization policy. BOI categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Prices determined using inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.

Level 3 – Prices are determined using unobservable inputs, which generally results in BOI using the best information available and may include BOI's own data.

(c) Security Lending - BOI is authorized by law to lend its securities and has contracted with the custodial bank, to lend BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank is required to maintain collateral equal to 102% of the fair value of domestic securities and 105% of the fair value of international securities while the securities are on loan. On any day, including June 30th, the markets may move in a positive or negative direction resulting in under or over collateralization. The custodial bank compensates for market movement by recalculating on the following business day to meet the collateralization requirements. BOI and the custodial bank split the earnings 80% and 20% respectively, on securities lending activities. BOI retains all rights and risks of ownership during the loan period. The custodial bank indemnifies BOI's credit risk exposure to the borrowers.

During fiscal year 2021, the custodial bank loaned BOI's public securities and received as collateral either: U.S. dollar cash; U.S. government and government sponsored agency securities; U.S. corporate debt securities and structured securities rated AA- or Aa3 or higher; sovereign debt securities of the Group of Ten nations; and debt securities issued by certain supranational agencies. The custodial bank does not have the ability to sell collateral securities unless the borrower defaults.

BOI imposed no restrictions on the amount of securities available to lend during fiscal year 2021. However, STIP assets are currently not available for securities lending. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period that resulted in a declaration and notice of default of the borrower. There were no losses during fiscal year 2021 resulting from a borrower default. As of June 30, 2021, no securities were recalled and not yet returned.

The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in an investment fund, the Navigator Securities Lending Government Money Market (Navigator) portfolio.

BOI and the borrowers maintain the right to terminate all securities lending transactions on notice. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower. The Navigator portfolio had an average duration of 24 days and the average weighted final maturity of 93 days.

(d) Investment Pools and Separately Managed Accounts (SMA) are described in the following paragraphs.

Consolidated Asset Pension Pool (CAPP)

The CAPP IPS contain prescribed asset allocation ranges among the allowable asset classes and is subject to change as BOI adopts modifications. BOI annually affirms or revises the asset allocation ranges for the retirement plans. The CAPP IPS also contains investment objectives and guidelines for each underlying asset class, with a purpose of providing diversified exposure within the asset class in a prudent and cost-effective manner.

Due to a longer-term focus, CAPP's asset classes differ from other classes that are allowable for other programs. CAPP's underlying asset classes are as follows:

- Domestic Equities
- International Equities
- Private Investments
- Real Assets
- Real Estate
- Core Fixed Income
- Non-Core Fixed Income
- Cash

The CAPP IPS is the only IPS that allows for investments that can be held in non-U.S. securities in a foreign currency. Per the CAPP IPS, the Core Fixed Income Asset Class and Non-Core Fixed Income Asset Class sections have maximum restrictions that can be held. Currency exposures may be hedged, in a defensive manner, at the discretion of the active managers to preserve the U.S. dollar value of investments made.

As part of the asset allocation approved by BOI in November 2020, the Natural Resource PAC was renamed the Real Assets PAC. The Private Investments PAC holds Private Equity and Private Credit portfolios. The Real Assets PAC holds Commodities, Infrastructure, and Treasury Inflation Protected Securities (TIPS) portfolios. These changes were effective in January 2021. The changes did not have an impact on the underlying values of the securities within CAPP.

Trust Funds Investment Pool (TFIP)

The TFIP IPS provides for a 10% portfolio limit for non-core fixed income securities. TFIP invests primarily in investment grade, U.S. dollar denominated fixed income securities. The portfolio has high yield and core real estate exposure.

Short Term Investment Pool (STIP)

The STIP IPS limits the concentration of credit risk exposure by limiting portfolio investment types to 3.0% in any issuer except for U.S. Treasury and U.S. Agency securities as well as any repurchase agreements with a financial institution.

STIP invests primarily in short-term, high quality, fixed income securities with a maximum maturity of 397 days or less. Variable securities shall have a maximum maturity of 2 years. STIP shall maintain a dollar-weighted average portfolio maturity of 120 days or less. STIP is managed to preserve principal while providing 24-hour liquidity for state agency and local government participants.

BOI maintains a reserve account that may be used to offset losses within the STIP portfolio. The STIP reserve for the year ending June 30, 2021, is detailed as follows:

STIP Reserve Activity (in thousands)	
Beginning STIP Reserve	\$ 52,564
Additions	
Investment Earnings:	
Net increase (decrease) on fair value of investments	21
Interest income	12
Transfer of daily STIP income	760
Recoveries from write-offs	855
Total investment earnings	1,648
Total STIP Reserve activity	1,648
Ending STIP Reserve	<u>\$ 54,212</u>

Separately Managed Accounts (SMA)

SMA invests primarily in investment grade, U.S. dollar denominated, fixed income securities and custodial bank interest bearing demand deposit account. However, one participant portfolio has exposure to core real estate and high yield fixed income. The SMA portfolio also includes Veteran's Home Loan mortgages (VHLM) and loans funded by the Coal Severance Tax Trust Fund, as authorized by statute.

(e) Investment Risk Disclosures are described in the following paragraphs, with more detail provided in later sections.

Custodial Credit Risk (Cash and Cash Equivalents and Investments Held at Custodial Bank)

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, BOI will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, BOI's custodial bank must be rated at a minimum at the 6th highest investment grade rating by at least two Nationally Recognized Statistical Rating Organizations (NRSROs) on an annual basis.

As of June 30, 2021, all the public securities as well as securities held by the separate public equity account managers were registered in the nominee name for BOI and held in the possession of BOI's custodial bank. The equity index funds, securities held at the State's depository bank, real estate, mortgage, and loan investments were purchased and recorded in BOI's name. Commingled fund investments are registered in the name of BOI. Therefore, BOI is not subject to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of any single investment per issuer name. Investments explicitly guaranteed by the U.S. government are excluded from the concentration of credit risk requirements. Concentration of credit risk is addressed within all IPS as set by BOI.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Except for U.S. Government securities, the pools and SMA fixed income instruments have credit risk as measured by NRSRO ratings. Credit risk is contemplated for each individual portfolio in the IPS. Credit risk is managed by constraining portfolio purchases around investment grade NRSRO ratings as appropriate. The U.S. Government guarantees its securities directly or indirectly. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit risk.

As of June 30, 2021, the CAPP's cash equivalents position held at its custodial bank, \$163.1 million was held in unrated money market funds.

As a matter of STIP investment policy, BOI can only purchase securities from a pre-approved "Approved Issuer" list. By STIP policy, permitted money market investments include only SEC registered 2a-7 Institutional Money Market Funds that are considered "U.S. Treasury" or "U.S. Government" money market mutual funds according to the SEC regulations or short-term investment vehicle available through the custodial bank. As of June 30, 2021, all the STIP money market investments were in U.S. Governmental money markets and \$166.0 million was held on deposit in a short-term investment vehicle available through the custodial bank.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. BOI uses effective duration as a measure of interest rate risk for all fixed income portfolios. CAPP, TFIP, and SMA at fair value investments are categorized to disclose credit and interest rate risk for fixed income securities. Credit risk is disclosed using the weighted credit quality rating by investment type. Interest rate risk is disclosed using the weighted effective duration. NRSRO provides the credit ratings. According to the STIP investment policy, "The STIP portfolio will minimize interest rate risk by:

1. structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations thereby normally avoiding the need to sell securities on the open market prior to maturity;
2. maintaining a dollar-weighted average portfolio maturity (WAM) of 120 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities); and
3. STIP will maintain a reserve account."

CAPP, TFIP, STIP, and SMA may hold fixed and variable rate securities. Interest payments on variable securities are based on an underlying reference rate, for example, Secured Overnight Financing Rate (SOFR).

STIP investments at fair value are categorized to disclose credit risk and weighted average maturity (WAM). Credit risk reflects the weighted security quality rating by investment type as of the June 30 report date. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated. STIP interest rate risk is determined using the WAM method. The WAM measure expresses investment time horizons (the time when investments are due or reset and payable in days, months, or years) weighted to reflect the dollar size of the individual investments within an investment type. Inclusive of cash and cash equivalents, the WAM averages 115 days for the portfolio. Based on their short weighted average maturity and the relative immaterial difference from their cost to fair value, BOI determined the cash equivalents have little discernible interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. BOI's foreign currency exposure by denomination and investment type are reported, in U.S. dollars, at fair value and is limited to CAPP.

Other Policy Considerations

For other risk, BOI approves both the IPS and benchmark used for each portfolio. Per the CAPP IPS, the Core Fixed average duration will be maintained in a range within 20% of the benchmark duration. The Core Fixed Income PAC and Non-Core Fixed Income PAC average duration will be maintained in a range within 25% of the index duration. Per the TFIP IPS, the average duration will be maintained in a range within 20% of the benchmark duration. Interest rate risk for SMA is contemplated in each individual IPS and is managed by limiting the maturity of individual securities and/or matching liabilities to maturities per estimated cash flows.

Fair Value of Derivative Instruments

The UIP invests in, currency forward contracts, credit default swaps, interest rate swaps, index futures (long and short duration), rights and warrants which are classified as investment derivative instruments. The investment derivative instruments decreased in fair value for the fiscal year ended June 30, 2021, by \$4.0 million. The derivative instruments had a fair value of \$420.0 thousand as of June 30, 2021. The notional amount of the contracts was \$52.0 million.

Investment Derivative Instruments as of June 30, 2021 (in thousands)

Security Investment Type	Classification	Changes in Fair Value Included in Investment Income	Fair Value	Notional Amount
Credit default swaps bought	Investment	\$ 17	\$ (31)	\$ 2,215
Credit default swaps written	Investment	283	258	10,180
Currency Forward Contracts	Investment	(58)	84	39,051
Index Futures Short	Investment	64	—	(2,600)
Index Futures Long	Investment	3,602	—	3
Receive fixed interest rate swaps	Investment	10	10	3,126
Rights	Investment	15	40	1
Warrants	Investment	45	59	19
Totals		<u>\$ 3,978</u>	<u>\$ 420</u>	<u>\$ 51,995</u>

Counterparty Credit Risk - Derivative Instruments

Counterparty credit risk is the risk that the counterparty will not fulfill its obligations. The maximum amount of loss to BOI in case of default of all counterparties as of June 30, 2021 was \$577.0 thousand. The following table reflects BOI's applicable counter party credit ratings and risk concentrations.

Risk Concentrations - Credit Default Swaps as of June 30, 2021

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Goldman Sachs ICE	45%	BBB+	A	A2
Barclays Bank PLC Wholesale	38%	A	A+	A1
BNP Paribas SA	16%	A+	A+	Aa3
UBS LCH	1%	A+	AA-	Aa3

(2) The BOI Municipal Finance Programs Fund deposits and investments are restricted by the bond trust indentures to the following: government and agency obligations, certificates of deposits, repurchase agreements, and investment agreements. The bond trust indenture addresses custodial credit risk, concentration of credit risk, credit risk, interest rate, and credit quality risk, by detailing the permitted investments. BOI's STIP IPS details custodial credit risk, concentration of credit risk, and credit risk. Deposits and investments must be made with Montana banks or in the STIP administered by BOI.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, BOI will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, BOI's custodial bank must be rated at a minimum, at the 6th largest investment grade rating by at least two Nationally Registered Statistical Ratings Organizations (NRSROs) and is reviewed on an annual basis.

Cash – Custodial risk for cash is the risk that, in the event of the failure of the custodial financial institution, the cash or collateral securities may not be recovered from an outside party. The securities used as collateral are held by the Trustee in the name of BOI.

Investments – As of June 30, 2021, the Municipal Finance Programs securities were recorded by the trustee in the name of BOI by specific account.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of any single investment per issuer name. The Municipal Finance Programs investments directly issued or explicitly guaranteed by the U.S. government and investments in mutual funds are excluded from the concentration of credit risk requirement. The STIP investment policy limits the concentration of credit risk by limiting portfolio investment types to 3.0% in any issuer with the exception of U.S. Treasury and U.S. Agency securities, as well as, any repurchase agreements with a financial institution. As of June 30, 2021, STIP concentration risk was within the policy as set by BOI.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Municipal Finance Programs U.S. government direct-backed securities, consisting of U.S. Treasury notes and bills, are guaranteed directly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. Permitted investments, as described in the indenture, include, "Either (i) long term obligations of such bank, trust company or association are rated in one of the three highest investment category of the Standard & Poor's Corporation or Moody's Investor Service Inc., which investment category shall not be less than the prevailing rate on the bonds or (ii) the deposits are continuously secured as to principal, but only to the extent not insured by the Bank Insurance Fund or the Savings Association Insurance Fund, or any successor to either, of the Federal Deposit Insurance Corporation (FDIC)."

BOI's STIP IPS specifies that STIP securities have a minimum of two credit ratings as provided by nationally recognized statistical rating organizations, to assist in the monitoring and management of credit risk. The purchase of STIP securities other than U.S. government or U.S. agency obligations is restricted to those who are pre-approved. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Permitted investments, as described in the Indenture, details the allowable investments, including those in STIP. STIP interest rate risk is determined using the WAM method. According to the STIP IPS, "The STIP portfolio will minimize interest rate risk by:

1. structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations, thereby normally avoiding the need to sell securities on the open market prior to maturity;

2. maintaining a dollar-weighted average portfolio maturity (WAM) of 120 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities); and
3. STIP will maintain a reserve account.”

The Municipal Finance Program investments are categorized to disclose credit and interest rate risk as of June 30, 2021. Credit risk is disclosed using the weighted credit quality rating by investment type. Interest rate risk is disclosed using weighted effective duration as calculated by BOI. The credit quality ratings have been calculated, excluding non-rated investment types. Both the credit quality ratings and duration have been calculated excluding cash equivalents, as BOI determined that these securities did not contain these risk elements. There were no derivative transactions during the 2021 fiscal year for investments held by the trustee.

B. Cash/Cash Equivalents

(1) Cash Deposits – The State requires collateralization based on the average daily bank balance in the depository bank holding the main state bank account. For other depository banks, state statutes require collateralization at 50.0% of the bank balance. The cash deposits amount includes both primary government and component unit deposits.

Table 1 – Cash Deposit Amounts
(in thousands)

	Carrying Amount
Cash held by State/State's agent	\$ 69,951
Uninsured and uncollateralized cash	4,274
Undeposited cash	2,062
Cash in U.S. Treasury	396,818
Cash in MSU component units	8,893
Cash in UM component units	16,445
Less: outstanding warrants	(23,187)
	<u>\$ 475,256</u>

As of June 30, 2021, the carrying amount of deposits for component units was \$217.7 million, as included in Table 1.

(2) Cash Equivalents – consists of cash in the State Treasury invested by individual funds in the Short-term Investment Pool (STIP), the State Treasurer's pooled cash account, and in identifiable securities and investments considered to be cash equivalents. Cash equivalents, generally, are short-term, highly liquid investments with original maturities of three months or less that are measured at cost. Cash equivalents may be under the control of BOI or other agencies, as allowed by law.

Table 2 - Cash Equivalents
(in thousands)

	Fair Value
Treasuries ⁽¹⁾	\$ 789,021
Corporate commercial paper ⁽²⁾	913,481
Corporate notes ⁽²⁾	250,494
Certificates of deposit ⁽²⁾	405,071
Agency or government related ⁽²⁾	724,008
Money market fund unrated	214,805
Cash and cash equivalents ⁽²⁾	3,234,299
Less: STIP Adjustments ⁽³⁾	(328,402)
Total cash equivalents	<u>\$ 6,202,777</u>

(1) A portion is also included in the Investments Measured at Fair Value and NAV table.

(2) Also included in the Investments Measured at Fair Value and NAV table.

(3) Includes adjustments for STIP Reserve, STIP included in pooled investments, and holding classification differences.

As of June 30, 2021, local governments had invested \$1.9 billion, and component units of the State of Montana had invested \$413.3 million in STIP.

STIP Cash Equivalent Credit Quality Ratings as of

June 30, 2021

(in thousands)

	Total Cash Equivalents	Credit Quality Rating
Agency or government related	\$ 182,211	A-1+
Asset backed commercial paper	2,303,761	A-1+
Corporate commercial paper	531,325	A-1+
Certificates of deposit	51,002	A-1+
Interest Bearing Demand Deposit Account (IBDDA)	166,000	NR
Total cash equivalents	<u>\$ 3,234,299</u>	

STIP

Credit Quality Rating and Weighted Average of Maturity as of

June 30, 2021

(in thousands)

Security Investment Type	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	\$ 789,021	A-1+	99
Agency or government related	724,008	A-1+	87
Corporate:			
Commercial paper	913,481	A-1+	153
Notes	250,494	A-1	111
Certificates of deposit	405,071	A-1	142
Total STIP fixed income investments at fair value	<u>\$ 3,082,075</u>		

C. Equity in Pooled Investments

These securities consist of investments held by BOI in pooled investment funds. The Consolidated Asset Pension Pool (CAPP) and Trust Funds Investment Pool (TFIP) were created to allow qualifying funds to participate in diversified investment pools. Purchases are subject to the statutorily mandated “Prudent Expert Principle” (see Table 3 – Equity in Pooled Investments).

Table 3 – Equity in Pooled Investments
(in thousands)

	Fair Value ⁽¹⁾
CAPP:	
Consolidated asset pension pool	\$ 14,387,290
TFIP:	
Trust funds investment pool	2,742,329
Total pooled investments	17,129,619
Pool adjustments (net)	13,182
Total equity in pooled investments	<u>\$ 17,142,801</u>

⁽¹⁾ Includes cash/cash equivalents and investments.

As of June 30, 2021, the fair value of the underlying securities on loan was \$700.3 million. Collateral provided for the securities on loan totaled \$715.2 million, consisting of \$133.0 million in cash and \$582.2 million in securities.

As of June 30, 2021, local governments invested \$13.0 million in TFIP.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2021, as required for applicable pools.

Credit Quality Rating and Effective Duration as of June 30, 2021
Fair Value (in thousands)

Security Investment Type	CAPP	TFIP	SMA	Total Fixed Income Investments at Fair Value	Credit Quality Ratings Range	Effective Duration (Years)
Treasuries	\$ 763,348	\$ 382,471	\$ 303,140	\$ 1,448,959	AAA	4.30-9.36
Agency or Government Related	260,341	127,004	79,046	466,391	A to AAA	2.57-6.79
Asset-Backed Securities	93,892	59,885	37,243	191,020	AAA	1.38-2.59
Mortgage-Backed Securities:						
Noncommercial	484,595	506,382	229,237	1,220,214	AAA	3.20-4.42
Commercial	135,266	131,495	30,830	297,591	AAA	3.79-6.26
Corporate:						
Financial	454,371	307,952	221,401	983,724	BBB+ to A-	3.50-4.33
Industrial	817,833	669,766	341,299	1,828,898	BB to BBB+	4.35-5.07
Industrial (Unrated)	697	264	—	961	NR	0.09
Utility	45,849	12,147	9,935	67,931	BB+ to BBB-	2.96-5.86
Total fixed income investments at fair value	<u>\$ 3,056,192</u>	<u>\$ 2,197,366</u>	<u>\$ 1,252,131</u>	<u>\$ 6,505,689</u>		

State of Montana investments are measured at fair value and categorized within the fair value hierarchy established by GASB Statement No. 72 – *Fair Value Measurement and Application*, as defined below.

Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities

based on the securities' relationship to benchmark quoted prices. Residential Mortgages classified in Level 3 of the fair value hierarchy are present value adjusted. Direct real estate classified in Level 3 of the fair value hierarchy are based on the latest appraised value. In years with no updated appraisal the Montana Department of Revenue calculated growth rate is used to determine the adjusted value. The direct real estate was last appraised in fiscal year 2020. Investments measured at cost are included to account for all investments within each pool and SMA. These assets represent cash equivalents and Montana Mortgages and Loans.

Each of the investment pools and SMA has the following fair value measurements as of June 30, 2021:

Investments Measured at Fair Value (in thousands)					
Fair Value Measurements Using					
	June 30, 2021	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)	
<u>Investments by fair value level</u>					
Fixed income investments:					
Treasuries	\$ 2,237,980	\$ 2,237,980	\$ —	\$ —	
Agency or Government Related	1,190,399	—	1,190,399	—	
Asset Backed Securities	191,020	—	191,020	—	
Mortgage Backed Securities:					
Noncommercial	1,220,214	—	1,220,214	—	
Commercial	297,591	—	297,591	—	
Corporate:					
Commercial Paper	913,481	—	913,481	—	
Commercial Notes	250,494	—	250,494	—	
Certificates of Deposit	405,071	—	405,071	—	
Financial	983,724	—	983,724	—	
Industrial	1,828,898	—	1,828,898	—	
Industrial (Unrated)	961	—	961	—	
Utility	67,931	—	67,931	—	
Equity investments	5,064,422	5,064,422	—	—	
International equity investments	2,498,920	2,498,920	—	—	
Direct Real Estate	21,104	—	—	21,104	
Residential Mortgages	1,601	—	—	1,601	
Investment derivative instruments	420	—	420	—	
Total investments by fair value level	17,174,231	9,801,322	7,350,204	22,705	
<u>Investments measured at the net asset value (NAV)</u>					
Private Investments	2,063,108				
Core Real Estate	780,811				
Non-Core Real Estate	742,686				
Real Assets	341,822				
Real Estate High Income Fund	208,135				
Total investments measured at NAV	4,136,562				
Total investments measured at fair value	21,310,793				
<u>Investments at cost</u>					
Cash and cash equivalents held at custodial bank	3,421,675				
SMA Montana Mortgages and Loans	192,235				
Total investments not categorized	3,613,910				
Total investments	\$ 24,924,703				

The investments measured at NAV for the year ended June 30, 2021, are detailed below:

	Investments Measured at NAV (in thousands)			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Investments	\$ 2,063,108	\$ 1,005,805		
Core Real Estate	780,811	—	Monthly, quarterly	45-90 days
Non-Core Real Estate	742,686	789,773		
Real Assets	341,822	340,045		
Real Estate High Income Fund	208,135	—	Daily	1-3 days
Total investments measured at the NAV	<u>\$ 4,136,562</u>	<u>\$ 2,135,623</u>		

STIP and \$1.8 billion of SMA are included, and also reported in Tables 2 and 4, respectively.

Private Investments – This type includes investments in limited partnerships. Typically, the types of partnership strategies included in this portfolio: venture capital, growth equity, buyouts, special situations, mezzanine, and distressed debt. These investments are considered long-term. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. It is expected that the underlying assets of the funds will be liquidated over 10 years. It is probable all the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the BOI's ownership interest in partners' capital.

Core Real Estate – This type includes funds that invest primarily in core real estate, which makes equity investments in operating and substantially leased institutional quality real estate in traditional property types (apartments, office, retail, industrial and hotel) via commingled funds. The primary investment objectives of these core real estate funds are to invest in real estate that will generate income from predictable sources of revenue and not to realize gains on the underlying assets. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the BOI's ownership interest in the partners' capital. Redemption of these investments is restricted based on the availability of cash flow arising from investment transactions, sales, and other fund operations occurring in the ordinary course of business. Therefore, requested redemptions from a fund will be redeemed as funds become available.

Non-Core Real Estate – This type includes private partnership funds that primarily invest in value added and opportunistic real estate funds. These funds assume more risk than the core real estate funds to achieve a greater return on investment. Returns are driven both by current income and by expected capital appreciation. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 7 to 10 years. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the BOI's ownership interest in the fund.

Real Assets – This type includes private partnership funds that primarily invest in timber, energy, broad natural resource funds, and infrastructure. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 10 to 20 years. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the BOI's ownership interest in the partners' capital.

Real Estate High Income Fund – This type consists of predominantly of real estate related instruments with an emphasis in U.S. corporate credits, whether in the form of bonds or loans that are rated below investment grade. These assets carry a higher risk of default than investment grade securities and accordingly provide a higher level of income or yield commensurate with that risk. The fair values of the

investments of this type have been determined using the NAV per share (or its equivalent) of the investments.

As of the June 30, 2021, exchange date, BOI's foreign currency exposure by denomination and investment type are reported, in U.S. dollars, at fair value and is limited to CAPP. The following table excludes the foreign investments denominated in U.S. dollars for the American Depositary Receipts (ADRs), sovereign debt and commingled index funds.

Foreign Currency Exposure by Country

Investment Type in U.S. Dollar Equivalent

(in thousands)

Foreign Currency Denomination	Currency	Fixed Income	International Equities	Private Investments	Real Estate	Real Assets
Australian Dollar	\$ 41	\$ —	\$ 27,640	\$ —	\$ —	\$ —
Brazilian Real	131	2,115	25,098	—	—	—
Canadian Dollar	26	—	51,764	—	—	—
Chilean Peso	18	1,016	—	—	—	—
Columbian Peso	87	4,492	—	—	—	—
Danish Krone	11	—	21,364	—	—	—
Egyptian Pound	—	3,716	—	—	—	—
EMU – Euro	74	4,841	220,307	18,423	543	8,771
Hong Kong Dollar	122	—	94,526	—	—	—
Hungarian Forint	14	1,212	2,107	—	—	—
Indonesian Rupiah	—	5,927	3,159	—	—	—
Japanese Yen	409	—	147,321	—	—	—
Malaysian Ringgit	37	2,223	987	—	—	—
Mexican Peso	198	5,163	16,231	—	—	—
New Israeli Sheqel	4	—	5,526	—	—	—
New Taiwan Dollar	22	—	36,553	—	—	—
New Zealand Dollar	—	—	1,030	—	—	—
Norwegian Krone	—	—	6,513	—	—	—
Philippine Peso	1	—	670	—	—	—
Polish Zloty	4	—	2,539	—	—	—
Pound Sterling	—	—	82,808	—	—	—
Russian Ruble	97	4,952	—	—	—	—
Singapore Dollar	51	—	8,525	—	—	—
SOL	23	2,282	—	—	—	—
South African Rand	143	5,694	7,934	—	—	—
South Korean Won	15	—	48,716	—	—	—
Swedish Krona	—	—	50,794	—	—	—
Swiss Franc	40	—	48,500	—	—	—
Thailand Baht	5	—	2,046	—	—	—
Turkish Lira	4	—	152	—	—	—
Yuan Renminbi	13	10	13,867	—	—	—
Total cash and securities	\$ 1,590	\$ 43,643	\$ 926,677	\$ 18,423	\$ 543	\$ 8,771

Investments in alternative equity are usually made via limited partnership agreements that involve many limited partners and a general partner who is responsible for all investment decisions. The limited partners make an original commitment, after which capital is called as needed by the general partner to

make investments. These agreements will usually last for a minimum of 10 years. The following table shows the remaining BOI commitments to alternative equity managers.

Commitments to Fund Managers (in thousands)		
Pension Asset Class	Original Commitment	Commitment Remaining
Private Investments	\$ 3,429,448	\$ 1,005,805
Real Assets	748,526	340,045
Real Estate	2,686,429	789,773
Total	<u>\$ 6,864,403</u>	<u>\$ 2,135,623</u>

D. Investments

BOI was created by the State Legislature to manage the Unified Investment Program established by the State Constitution. Long-term investments are administered by the following agencies, as allowed by state law, Section 17-6-201, MCA:

Long-term Investments	
Department	Percent Administered
Board of Investments	45.14 %
Universities	19.78
MPERA (Montana Public Employee Retirement Administration)	27.74
College Savings Plan	5.06
Montana Board of Housing	1.22
Other ⁽¹⁾	1.06
Total	<u>100.00 %</u>

⁽¹⁾ Other consists of the Commissioner of Higher Education, the Department of Administration, the Department of Commerce, the Department of Natural Resources and Conservation, the Department of Revenue, and State Auditor.

BOI must employ the "Prudent Expert Rule" in managing the State's investment portfolio. Investments are presented at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to BOI's custodial bank or trustee. State investments are categorized within the fair value hierarchy established by GASB Statement No. 72.

The PERS Defined Contribution Retirement Plan (DCRP) and the Deferred Compensation Plan's Montana Fixed Fund is a stable value investment option administered and monitored by the Public Employees' Retirement Board (PERB) with input from the Employee Investment Advisory Committee and the investment consultant. The PERB has established an investment policy for the Montana Fixed Fund to identify objectives, investment guidelines, and outline the responsibility of the outside vendors. This investment policy includes stable value manager Pacific Investment Management Company LLC (PIMCO), custodial bank State Street Bank and Trust Company (State Street), and third-party synthetic Guaranteed Interest Contract (GIC) providers, Transamerica Life Insurance Company (Transamerica), Prudential Insurance Company of America (Prudential), and Voya Retirement Insurance and Annuity Company (Voya). All money invested in the Montana Fixed Fund of the PERS-DCRP and Deferred Compensation Plan is held in a Pooled Trust. The third party record keeper, Empower Retirement™, tracks and reports the daily trading and valuations of all investment options, including the assets held by the individual mutual fund companies.

Table 4 – Investments
(in thousands)

	Fair Value June 30, 2021	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary government				
<u>Investments by fair value level</u>				
Agency/Government Related ⁽¹⁾	\$ 6,191	\$ —	\$ 6,191	\$ —
Government Securities	7,523	7,523	—	—
Stocks	10,580	10,580	—	—
Other	327	—	327	—
Total investments at fair value	24,621	18,103	6,518	—
<u>Investments at cost</u>				
Montana Mortgages and Loans ⁽³⁾	184,756			
Total investments at cost	184,756			
Total primary government	209,377			
Component units/fiduciary funds				
<u>Investments by fair value level</u>				
Treasuries ⁽¹⁾	138,256	138,256	—	—
Agency/Government Related ⁽¹⁾	239,613	—	239,613	—
Asset-Backed Securities ⁽¹⁾	37,243	—	37,243	—
Mortgage-Backed Securities ⁽¹⁾	229,237	—	229,237	—
Commercial Mortgage-Backed Securities ⁽¹⁾	30,830	—	30,830	—
Financial-Corporate ⁽¹⁾	227,593	—	227,593	—
Industrial-Corporate ⁽¹⁾	335,107	—	335,107	—
Utility-Corporate ⁽¹⁾	9,936	—	9,936	—
Equity Investments	208,084	208,084	—	—
529 College Savings Plan	195,544	—	195,544	—
VEBA	11,902	11,902	—	—
State Auditor	10,544	5,930	4,614	—
MSU Investments ⁽²⁾	1	—	1	—
MSU Component Unit Investments ⁽²⁾	251,313	241,024	5,760	4,529
UM Component Unit Investments ⁽²⁾	91,479	56,240	22,760	12,479
Board of Housing ⁽²⁾	41,647	10,836	30,811	—
Total investments at fair value	2,058,329	672,272	1,369,049	17,008
<u>Investments at net asset value (NAV)</u>				
Core Real Estate	98,139			
Deferred Compensation ⁽²⁾	662,866			
Defined Contribution ⁽²⁾	409,279			
MSU Component Unit Investments ⁽²⁾	98,249			
UM Component Unit Investments ⁽²⁾	307,568			
UM Other Investments ⁽²⁾	430			
UM Interest in Split Interest ⁽²⁾	5,072			
Total investments at NAV	1,581,603			
<u>Investments at cost</u>				
MSU Component Unit Investments ⁽²⁾	10,519			
Board of Housing ⁽²⁾	5,505			
Total Investments at Cost	16,024			
Total component unit/fiduciary investments	3,655,956			
Total investments	\$ 3,865,333			
Securities lending investment pool	\$ 15,613			

- (1) The credit quality rating and duration are included in the above sections for the rated investments.
- (2) For more detail, refer to component unit separately issued financial statements.
- (3) The total for Montana Mortgages and Loans does not include Coal Severance Tax loans, which was included in SMA financial statements. This amount of \$7.5 million is considered advances to other funds/component units and amounts due from component units in the Coal Tax Severance column of the governmental fund financial statements.

As of June 30, 2021, the fair value of the investments on loan was \$82.6 million. Collateral provided for the investments on loan totaled \$84.2 million consisting of \$15.6 million in cash and \$68.6 million in securities.

\$1.8 billion of SMA is included and also reported in the Investments Measured at Fair Value and NAV table.

Municipal Finance Programs – Rated Securities
Credit Quality Rating and Effective Duration as of
June 30, 2021
(in thousands)

Security Investment Type	Fair Value	Credit Quality Rating⁽¹⁾	Effective Duration⁽¹⁾
Short-term investments			
U.S. Treasury obligations	\$ 7,523	AA+	0.26
Total investments	<u>\$ 7,523</u>		

⁽¹⁾ Credit Quality Rating and Effective Duration are weighted.

NOTE 4. DISAGGREGATION OF ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Accounts receivable, accounts payable, deferred outflows of resources, and deferred inflows of resources on the Statement of Net Position as of June 30, 2021, consisted of the following (in thousands):

A. Accounts Receivables

	Governmental Activities						
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Charges for services/fines/forfeitures	\$ —	\$ 5,643	\$ 2,847	\$ 312	\$ —	\$ —	\$ 14,331
Contributions/premiums	—	—	—	10,358	—	—	1,847
Grants/contracts/donations	—	—	—	—	—	—	698
Investment income	3,495	—	214	114	2,399	7,366	3,350
License and permits	—	—	—	—	—	—	9,923
Other receivables	—	1,971	8,668	529	—	1,139	136
Medicaid Drug Rebate Program	—	67,498	—	—	—	—	—
Reimbursements/overpayments	—	310	19,143	—	—	—	13,722
Taxes	8,268	—	398,178	—	—	2,307	83,667
Total receivables	11,763	75,422	429,050	11,313	2,399	10,812	127,674
Less: allowance for doubtful accounts	(733)	(2,536)	(114,472)	(529)	—	(270)	(19,855)
Receivables, net	\$ 11,030	\$ 72,886	\$ 314,578	\$ 10,784	\$ 2,399	\$ 10,542	\$ 107,819

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Charges for services	\$ —	\$ 40,138	\$ —
Contributions/premiums	—	955	5,634
Loans/investment income	7,319	15	—
Other receivables	—	64	—
Reimbursements/overpayments	—	—	28,466
Total receivables	7,319	41,172	34,100
Less: allowance for doubtful accounts	—	(643)	(7,289)
Receivables, net	\$ 7,319	\$ 40,529	\$ 26,811

B. Deferred Outflows of Resources

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
OPEB deferred outflows ⁽¹⁾	\$ —	\$ 100,973	\$ 6,461	\$ —	\$ —
Pension deferred outflows ⁽²⁾	21	907,580	15,303	—	113
Refunding deferred outflows	—	—	—	1,483	—
Total deferred outflows	\$ 21	\$ 1,008,553	\$ 21,764	\$ 1,483	\$ 113

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred outflows ⁽¹⁾	\$ 35	\$ 1,835
Pension deferred outflows ⁽²⁾	95	3,827
Total deferred outflows	\$ 130	\$ 5,662

⁽¹⁾ Further detail regarding OPEB related deferred outflows of resources is provided in Note 7.

⁽²⁾ Further detail regarding pension related deferred outflows of resources is provided in Note 6.

C. Accounts Payables

	Governmental Activities					
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	Land Grant	State Special Revenue
Accrued interest	\$ 6	\$ 425	\$ 25	\$ 1,986	\$ —	\$ 54
Payroll	9,952	18,266	3,609	4	—	17,567
Tax refunds	—	226,626	—	—	—	—
Vendors/individuals	220,713	79,307	12,521	5,938	5	152,167
Payables, net	\$ 230,671	\$ 324,624	\$ 16,155	\$ 7,928	\$ 5	\$ 169,788

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Accrued interest	\$ 45	\$ 3	\$ —
Payroll	22	826	—
Vendors/individuals	4	17,451	46,953
Payables, net	\$ 71	\$ 18,280	\$ 46,953

D. Deferred Inflows of Resources

Governmental Activities					
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
OPEB deferred inflows ⁽¹⁾	\$ —	\$ 29,331	\$ 1,876	\$ —	\$ —
Pension deferred inflows ⁽²⁾	24	125,729	5,068	—	34
Refunding deferred inflows	—	—	—	1,737	—
Total deferred inflows	<u>\$ 24</u>	<u>\$ 155,060</u>	<u>\$ 6,944</u>	<u>\$ 1,737</u>	<u>\$ 34</u>

Business-type Activities			
	Municipal Finance Programs		Nonmajor Enterprise Funds
OPEB deferred inflows ⁽¹⁾	\$ 10	\$	565
Pension deferred inflows ⁽²⁾	29		1,695
Total deferred inflows	<u>\$ 39</u>	<u>\$</u>	<u>2,260</u>

⁽¹⁾ Further detail regarding OPEB related deferred inflows of resources is provided in Note 7.

⁽²⁾ Further detail regarding pension related deferred inflows of resources is provided in Note 6.

NOTE 5. CAPITAL ASSETS

Changes in capital asset balances for the fiscal year ended June 30, 2021, are reflected in the following table (in thousands):

Governmental Activities	Beginning Balance	Increases ⁽¹⁾	Decreases ⁽¹⁾	Ending Balance
Capital assets not being depreciated:				
Land	\$ 753,496	\$ 23,648	\$ (662)	\$ 776,482
Construction work in progress	1,222,251	503,529	(353,159)	1,372,621
Easements	236,872	18,555	—	255,427
Museum and art	86,078	87	—	86,165
Other	30,196	272	—	30,468
Total capital assets not being depreciated	2,328,893	546,091	(353,821)	2,521,163
Capital assets being depreciated:				
Infrastructure	5,758,967	500,676	(390,283)	5,869,360
Land improvements	76,995	1,707	(42)	78,660
Buildings/improvements	618,180	19,653	(296)	637,537
Equipment	430,618	34,174	(13,175)	451,617
Easements - amortized	1,304	—	(73)	1,231
Other	5,776	355	—	6,131
Total capital assets being depreciated	6,891,840	556,565	(403,869)	7,044,536
Less accumulated depreciation for:				
Infrastructure	(1,706,463)	(216,956)	147,112	(1,776,307)
Land improvements	(36,658)	(3,547)	11	(40,194)
Buildings/improvements	(417,897)	(19,862)	193	(437,566)
Equipment	(285,717)	(24,460)	10,011	(300,166)
Other	(4,562)	(283)	—	(4,845)
Total accumulated depreciation	(2,451,297)	(265,108)	157,327	(2,559,078)
Total capital assets being depreciated, net	4,440,543	291,457	(246,542)	4,485,458
Intangible assets	53,610	28,250	(21,446)	60,414
Governmental activities capital assets, net	\$ 6,823,046	\$ 865,798	\$ (621,809)	\$ 7,067,035

⁽¹⁾ The increases and decreases noted above include adjustments related to prior periods and correction of errors.

Business-type Activities	Beginning Balance	Increases ⁽¹⁾	Decreases ⁽¹⁾	Ending Balance
Capital assets not being depreciated:				
Land	\$ 800	\$ —	\$ —	\$ 800
Construction work in progress	2,361	1,091	(2,149)	1,303
Other	3,770	110	(667)	3,213
Total capital assets not being depreciated	6,931	1,201	(2,816)	5,316
Capital assets being depreciated:				
Infrastructure	1,175	—	—	1,175
Land improvements	3,830	—	—	3,830
Buildings/improvements	16,379	—	—	16,379
Equipment	9,810	162	(126)	9,846
Total capital assets being depreciated	31,194	162	(126)	31,230
Less accumulated depreciation for:				
Infrastructure	(765)	(18)	—	(783)
Land improvements	(2,213)	(149)	—	(2,362)
Buildings/improvements	(7,116)	(584)	—	(7,700)
Equipment	(7,500)	(368)	112	(7,756)
Total accumulated depreciation	(17,594)	(1,119)	112	(18,601)
Total capital assets being depreciated, net	13,600	(957)	(14)	12,629
Intangible assets	1,521	2,484	(573)	3,432
Business-type activities capital assets, net	\$ 22,052	\$ 2,728	\$ (3,403)	\$ 21,377

⁽¹⁾ The increases and decreases noted above include adjustments related to prior periods and corrections of errors.

Depreciation expense was charged to governmental functions as follows (in thousands):

	Depreciation ⁽²⁾
General government	\$ 9,013
Public safety	9,136
Transportation, including depreciation of the highway system maintained by the State	218,671
Health and human services	3,293
Education	178
Natural resources, including depreciation of the state's dams	10,567
Depreciation on capital assets held by the internal service funds	14,250
Total depreciation expense – Governmental Activities	<u>\$ 265,108</u>

Depreciation expense was charged to business-type activities as follows (in thousands):

	Depreciation ⁽²⁾
Liquor Stores	\$ 105
State Lottery	51
Prison Funds	390
West Yellowstone Airport	513
Other Enterprise Funds	60
Total depreciation expense – Business-type Activities	<u>\$ 1,119</u>

⁽²⁾ Depreciation expenses noted above include adjustments related to prior periods and correction of errors.

NOTE 6. RETIREMENT PLANS

A. General

The funding policies for each plan provide for periodic employee, employer, and State nonemployer contributions at rates specified by state law. An actuary determines the actuarial implications of the funding requirement in an annual actuarial valuation. The actuarial method used to determine the implications of the statutory funding level is the Entry Age Actuarial Cost Method, with both normal cost and amortization of the unfunded actuarial liability determined as a level percentage of payroll expense. Benefits are established by state law and can only be amended by the Legislature.

Montana State Fund (MSF), a discretely presented component unit of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in the reporting period, there will be a variance between the note disclosures and the financial statements for some pension-related items.

Public Employees' Retirement Board

The Public Employees' Retirement Board (PERB) oversees eight defined benefit plans: Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP); Judges' Retirement System (JRS); Highway Patrol Officers' Retirement System (HPORS); Sheriffs' Retirement System (SRS); Game Wardens' and Peace Officers' Retirement System (GWPORS); Municipal Police Officers' Retirement System (MPORS); Firefighters' Unified Retirement System (FURS); and Volunteer Firefighters' Compensation Act (VFCA). The PERB also oversees two defined contribution plans: Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) and the 457(b)-Deferred Compensation Plan (457(b) Plan). The PERB also oversees education funds related to the pension plans. All of the benefit plans, defined benefit and defined contribution, are administered by the Montana Public Employees' Retirement Administration (MPERA). Separately issued financial statements and actuarial reports can be obtained at 100 North Park, Suite 200, PO Box 200131, Helena, MT 59620-0131. The financial statements and the latest actuarial valuation may also be obtained here: <http://mpera.mt.gov/>. The financial statements for the PERS-DBRP include activity for the defined benefit plan and the associated education fund. The PERS-DCRP financial statements include activity for the defined contribution plan and the associated education fund.

The PERB is an independent, seven-member board, appointed by the Governor. The members are assigned five-year, staggered terms. The PERB consists of two members at large, two active defined benefit public employees, one active defined contribution public employee, one member experienced in investments, and one retired public employee. The PERB approves the annual operating budget, developed by MPERA management, before the beginning of the fiscal year. As governed by statute, the PERB's defined benefit administrative expenses may not exceed 1.5% of the total defined benefit plan retirement benefits paid. In addition, the PERB decides legislative policy and priorities, hires the executive director, establishes the policies and procedures that govern operations at MPERA, and hears and rules on appeal matters of disabilities, retirees, and members. PERB members do not receive compensation for their service to the MPERA but are reimbursed for necessary expenses incurred while serving.

All defined benefit pension plans provide retirement, disability, and death benefits to the plan members and their beneficiaries. The PERS-DCRP Disability OPEB Plan provides a defined benefit for disabled members of the PERS-DCRP. Beneficiaries do not receive disability benefits but may attain retirement benefits from the PERS-DCRP. A summary of the plan eligibility and benefits are found in the Summary of Benefits sections throughout Note 6.

Teachers' Retirement System

The Teachers' Retirement System (TRS) is a defined benefit plan administered by the Teachers Retirement Board (TRB). The plan prepares a publicly issued annual comprehensive financial report that includes financial statements and required supplementary information for TRS. Separately issued financial statements, actuarial valuations, and experience studies can be obtained at 100 N Park Avenue, Suite 110, PO Box 200139, Helena, MT 59620-0139, or can be found online at <https://trs.mt.gov/>.

The TRB consists of six members, all of whom are appointed by the Governor. Three TRB members must be teaching professionals who, when appointed, are active members of TRS; at least one of them must be an active classroom teacher. One TRB member must be a retired teacher who was a member of TRS at the time of retirement. Two TRB members are appointed from the public at large. TRB members serve staggered, five-year terms. Three TRB members constitute a quorum.

A summary of the number of participating employer and nonemployer contributing entities as of June 30, 2021, follows:

Classification of Participant	GWPORS	PERS-DBRP	PERS-DCRP	SRS	MPORS	FURS	VFCA	TRS
Employer	7	553	340	57	34	27	220	363
Nonemployer contributing entity	—	1	—	—	1	1	1	1
Total Participants	7	554	340	57	35	28	221	364

There are 647 State employees who are eligible to participate in defined benefit pension plans, other than the plans listed above.

B. Summary of Significant Accounting Policies

The MPERA prepares its financial statements using fund accounting principles and the accrual basis of accounting. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. Plan member contributions, employer contributions, and related receivables are recognized as revenues in the accounting period in which they are earned and become measurable, pursuant to formal commitments and statutory requirements. Benefit payments and refunds/distributions are recognized in the accounting period in which they are due and payable in accordance with the terms of each plan. Administrative and other expenses, and the associated liabilities, are recognized in the period the liability is incurred. Administrative expenses are financed through investment earnings on the pension trust fund for the defined benefit plans. Interfund receivables and payables exist at year-end for defined benefit administrative expenses that are accounted for within PERS-DBRP and allocated to the other defined benefit plans at year-end. Costs specifically related to the computer system upgrades are charged directly to the individual plans. The MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

The TRS prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources, and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the TRS, and additions to/deductions from TRS's fiduciary net position, the items have been determined on the same accrual basis as they are reported by the TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The TRS adheres to all applicable GASB statements.

The pension trust fund financial statements presented in this report are prepared using the accrual basis of accounting in the same manner as that described for the pension plan administrators above.

C. Summary of All Public Employee Retirement Plans

A summary of classes of members in JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, TRS, PERS-DCRP, and 457-Deferred Compensation covered by benefit terms at June 30, 2021, follows:

Type of Plan for Reporting Purposes	Single-Employer Defined Benefit			Multi-Employer Defined Benefit						Multi-Employer Defined Contribution	
Plan Designation	JRS	HPORS ⁽¹⁾	GWPORS	PERS-DBRP ⁽²⁾	SRS	MPORS ⁽¹⁾	FURS	VFCA	TRS	PERS-DCRP	457(b)-DC
Classification of Member											
Active	57	244	1,023	29,028	1,495	823	734	2,031	19,658	3,311	5,507
Inactive entitled to, but not yet receiving, benefits or a refund:											
Vested	2	18	148	4,390	178	107	43	890	1,955	776	4,392
Non-vested	2	30	524	21,760	805	199	81	—	7,869	1,005	—
Inactive members and beneficiaries currently receiving benefits:											
Service retirements ⁽³⁾	68	343	407	23,742	752	857	661	1,525	16,315	152	—
Disability retirements	—	3	2	127	30	24	13	1	182	10	—
Survivor benefits ⁽⁴⁾	5	10	11	534	23	29	18	6	488	—	—
Total membership	134	648	2,115	79,581	3,283	2,039	1,550	4,453	46,467	5,254	9,899

(1) Includes Deferred Retirement Option Plan (DROP) in the Active count.

(2) The inactive non-vested count includes dormant accounts that were previously not counted.

(3) Includes "Alternative Payees" and "Death After Retirement" benefit payments. As of Fiscal Year 2019, the TRS plan stopped reporting separate benefit recipient categories.

(4) Includes "Death Before Retirement" benefit payments.

The following table represents the aggregate proportional share of the pension amounts for all defined benefit plans from the perspective of the State as the employer and/or nonemployer contributing entity for primary government, discretely presented component units, and fiduciary component units reported as of June 30, 2021, based on the actuarial valuation as of June 30, 2019 (amounts presented in thousands):

Aggregate Pension Amounts - All Defined Benefit Plans

	Primary Government			Discretely Presented Component Units ⁽¹⁾	Fiduciary Component Units	TOTAL
	State as Employer	State as Nonemployer Contributing Entity	Total Primary Government			
Net Pension Liabilities	\$ 1,483,274	\$ 1,475,801	\$ 2,959,075	\$ 237,781	\$ 1,921	\$ 3,198,777
(Net Pension Assets)	(36,545)	—	(36,545)	—	—	(36,545)
Pension Deferred Outflows of Resources	510,946	415,994	926,940	83,633	452	1,011,025
Pension Deferred Inflows of Resources	86,501	46,078	132,579	13,216	114	145,909
Pension Expense or Nonemployer Contributing Entity Grant Expense	246,824	258,238	505,062	50,850	344	556,256

(1) MSF pension deferred outflows of resources difference of \$936.9 thousand is due to MSF reporting on a calendar year-end basis on financial statements with a 6-month subsequent contribution while a 12-month subsequent contribution is disclosed in Note 6.

D. Defined Benefit Retirement Plans

The information below includes all defined benefit retirement plans administered by MPERA and TRS.

(1) Plan Descriptions and Funding Policies

Judges' Retirement System – The JRS, administered by the MPERA, is a single-employer defined benefit plan established in 1967 and governed by Title 19, chapters 2 & 5, MCA (Montana Code Annotated). This plan provides retirement benefits for all Montana judges of the district courts, justices of the Supreme Court, the Chief Water Judge, and the Associate Water Judge. Benefits are established by state law and can only be amended by the Legislature. The JRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and compensation. Member rights are vested after five years of service.

Summary of Benefits

Member's current salary¹ or highest average compensation (HAC)²

¹Hired prior to July 1, 1997, and non-Guaranteed Annual Benefit Adjustment (GABA) – monthly compensation at time of retirement;

²Hired on or after July 1, 1997, or electing GABA – HAC during any consecutive 36 months;

²Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit

Age 60, 5 years of membership service;

Any age with 5 years of membership service – involuntary termination, actuarially reduced.

Vesting

5 years of membership service.

Monthly benefit formula

3.33% of current salary¹ (non-GABA) or HAC² (GABA) per year of service credit for the first 15 years of service credit, plus 1.785% per year for each year after 15 years.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA)

If hired prior to July 1, 1997, and member did not elect GABA – current salary of an active member in same position is used in the calculation of the monthly benefit each time the Legislature increases salaries for active judges.

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Plan members are required to contribute 7.0% of the member's monthly compensation.

Employer contributions to the system – As the employer, the State is required to contribute 25.81% of a member's compensation.

Highway Patrol Officers' Retirement System – The HPORS, administered by the MPERA, is a single-employer defined benefit plan established on July 1, 1945, and governed by Title 19, chapters 2 & 6, MCA. This plan provides retirement benefits to all members of the Montana Highway Patrol, including supervisory personnel. Benefits are established by state law and can only be amended by the Legislature. The HPORS provides retirement, disability, and death benefits to plan members and their statutory beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation. Member rights for death and disability are vested immediately. All other member rights are vested after 5 or 10 years of service.

Section 19-6-709, MCA provides eligible members retired prior to July 1, 1991, or their survivors, an annual supplemental lump-sum payment distributed each September. This lump-sum payment is funded by a statutory appropriation requested by the PERB from the General Fund. Factors impacting eligibility include the number of years the recipient has received a service retirement or disability benefit, the recipient's age, and whether the recipient is employed in a position covered by a retirement system under Title 19, MCA.

Deferred Retirement Option Plan (DROP)

Beginning October 1, 2015, eligible members of HPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 6, Part 10, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the HPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory employer contributions continue to the retirement system; mandatory employee contributions are deposited to the member's DROP account. A monthly benefit is calculated based on salary and years of service to date as of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the Internal Revenue Service (IRS). If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2021, the balance held by MPERA for HPORS DROP participants was approximately \$4.8 million.

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2013 – HAC during any consecutive 36 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit

20 years of membership service, regardless of age.

Early Retirement

Hired prior to July 1, 2013 – 5 years of membership service, actuarially reduced from age 60.

Hired on or after July 1, 2013 – 10 years of membership service, actuarially reduced from age 60.

Second Retirement (applies to retirement system members who return on or after July 1, 2017, to active service covered by the system from which they retired):

a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:

- is not awarded service credit for the period of reemployment;
- is refunded the accumulated contributions associated with the period of reemployment;

- starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.
- b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
- is awarded service credit for the period of reemployment;
 - starting the first month following termination of service, receives:
 - the same retirement benefit previously paid to the member; and
 - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - on the initial retirement benefit starting January immediately following second retirement; and
 - on the second retirement benefit starting in January after receiving that benefit for at least 12 months
- c. A member who returns to covered service is not eligible for a disability benefit.

Vesting

Hired prior to July 1, 2013 – 5 years of membership service.

Hired on or after July 1, 2013 – 10 years of membership service.

Monthly benefit formula

Retire prior to July 1, 2013 – 2.5% of HAC per year of service credit.

Retire on or after July 1, 2013 – 2.6% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Hired on or after July 1, 2013 – after the member has completed 36 full months of retirement, the member's benefit increase by a maximum of 1.5% each January, inclusive of all other adjustments to the member's benefit.

Minimum Monthly Benefit (non-GABA)

If hired prior to July 1, 1997, and member did not elect GABA – the minimum monthly benefit is equal to 2% of the service credit multiplied by the current base compensation of a probationary highway patrol officer. Any annual increase is limited to 5.0% over the current benefit and may not exceed 60% of the current base salary of a probationary officer.

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by participating employer.

Hired prior to July 1, 1997, and not electing GABA – Plan members are required to contribute 13.00%.

Hired after June 30, 1997, and electing GABA – Plan members are required to contribute 13.05%.

Employer contributions to the system – As the employer, the State is required to contribute 38.33% of a member's compensation. The first 28.15% is payable from the same sources used to pay a member's compensation. The remaining amount, equal to 10.18%, is payable from the General Fund through a statutory appropriation.

Game Wardens' & Peace Officers' Retirement System – The GWPORS, administered by the MPERA, is a multi-employer, cost-sharing defined benefit plan established in 1963, and governed by Title 19, chapters 2 & 8, MCA. This plan provides retirement benefits to all persons employed as a game warden, warden supervisory personnel, or state peace officer. Benefits are established by state law and can only be amended by the Legislature. The GWPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation.

The State of Montana and its discretely presented component units are the only employers who participate in the GWPORS. Therefore, while the plan is considered to be a multi-employer, cost-sharing defined benefit plan for actuarial valuation purposes, in accordance with GASB 68, the plan is treated as if it were a single-employer defined benefit pension plan type for financial reporting.

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit

Service Retirement

Age 50, 20 years of membership service.

Early Retirement (reduced benefit)

Age 55, vested members who terminate employment prior to 20 years of membership service.

Vesting

5 years of membership service.

Monthly benefit formula

2.5% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 10.56% of member's compensation.

Employer contributions to the system – State agency and university employers are required to contribute 9.0% of a member's compensation.

Public Employees' Retirement System - Defined Benefit Retirement Plan – The PERS-DBRP, administered by the MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, Chapters 2 & 3, MCA. This plan covers employees of the State and local governments, and certain employees of the Montana University System and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System-Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation.

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – HAC during any consecutive 36 months;

Hired on or after July 1, 2011 – HAC during any consecutive 60 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit

Service retirement:

Hired prior to July 1, 2011 –

Age 60, 5 years of membership service;

Age 65, regardless of membership service; or

Any age, 30 years of membership service.

Hired on or after July 1, 2011 –

Age 65, 5 years of membership service;

Age 70, regardless of membership service.

Early retirement, actuarially reduced:

Hired prior to July 1, 2011 –

Age 50, 5 years of membership service; or

Any age, 25 years of membership service.

Hired on or after July 1, 2011 – Age 55, 5 years of membership service.

Second retirement (all require returning to PERS-covered employment or PERS service):

Retire before January 1, 2016, and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016, and accumulate less than 5 years' additional service credit:

- A refund of member's contributions from second employment plus regular interest (0.77%);
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- GABA starts again in the January immediately following second retirement

Retire before January 1, 2016, and accumulate at least 2 years of additional service credit:

- A recalculated retirement benefit based on laws in effect at second retirement; and
- GABA starts the January after receiving recalculated benefit for 12 months

Retire on or after January 1, 2016, and accumulate 5 or more years of additional service credit:

- The same retirement benefit as prior to their return to service;
- A second retirement benefit for second period of service based on laws in effect at second retirement;
- GABA starts on both benefits in the January after receiving the original and new benefit for 12 months

Vesting

5 years of membership service

Monthly benefit formula

Members hired prior to July 1, 2011 –

Less than 25 years of membership service: 1.785% of HAC per year of service credit;
25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011 –

Less than 10 years of membership service: 1.5% of HAC per year of service credit;
10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA) – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
 - 0% whenever the amortization period for PERS is 40 years or more.

Contributions to the Plan

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system: Contributions are deducted from each member's salary and remitted by participating Employers. Plan members are required to contribute 7.90% of member's compensation. The 7.90% member contribution rate is temporary and

will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional Employer and additional member contribution rates.

Employer contributions to the system

State and University System employers are required to contribute 8.87% of member compensation.

Local government entities are required to contribution 8.77% of member compensation.

School district employers contributed 8.50% of member compensation.

Per the 2013 Legislative Session's House Bill 454, section 4, effective July 1, 2013, PERS employer contributions temporarily increased 1%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The Employer additional contributions, including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. As of January 1, 2021, the additional contributions will not be terminated.

Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employer's reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

Non-Employer Entity Contributions

Special Funding

The State contributes 0.1% of member compensation on behalf of local government entities.

The State contributes 0.37% of member compensation on behalf of school district entities.

The State contributes a statutory appropriation from the General Fund. Funding provided for the year ended June 30, 2021, totaled \$34.0 million.

Sheriffs' Retirement System – The SRS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation.

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit

Service Retirement: 20 years of membership service, regardless of age.

Early Retirement: Age 50, 5 years of membership service, actuarially reduced.

Second Retirement (applies to retirement system members re-employed in a SRS position on or after July 1, 2017):

- a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;
 - starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.
- b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - is awarded service credit for the period of reemployment;
 - starting the first month following termination of service receives:
 - the same retirement benefit previously paid to the member; and
 - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - on the initial retirement benefit starting in January immediately following second retirement; and
 - on the second retirement benefit starting in January after receiving that benefit for at least 12 months
- c. A member who returns to covered service is not eligible for a disability benefit.

Vesting

5 years of membership service

Monthly benefit formula

2.5% of HAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions and are a percentage of the member's compensation. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 10.495% of member's compensation.

Employer contributions to the system – The employers are required to contribute 13.115% of member compensation. Employer contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

Municipal Police Officers' Retirement System – The MPORS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1974 and is governed by Title 19, chapters 2 & 9, MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and final average compensation.

Deferred Retirement Option Plan (DROP)

Beginning July 2002, eligible members of the MPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 9, Part 10, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2021, the balance held by MPERA for MPORS DROP participants was approximately \$8.7 million.

The State is not an employer participant in the MPORS plan. However, because the PERB is a fiduciary component unit of the State, this ACFR presents certain information to help ensure compliance with GASB 67. In addition, the State provides nonemployer entity contributions classified as special funding in accordance with GASB 68. Disclosures made in this financial report for MPORS are meant to reflect the aforementioned relationships.

Summary of Benefits

Member's final average compensation (FAC)

Hired prior to July 1, 1977 – average monthly compensation of final year of service;

Hired on or after July 1, 1977 – final average compensation (FAC) for last consecutive 36 months.

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's FAC.

Eligibility for benefit

Service Retirement: Age 50, with 5 years of membership service, or 20 years of membership service, regardless of age.

Second Retirement: Age 50, reemployed in a MPORS position

Vesting

Death and disability rights are vested immediately.

5 years of membership service.

Monthly benefit formula

2.5% of FAC per year of service credit.

Second retirement benefit formula for members re-employed in a MPORS position after July 1, 2017:

- (1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - a. Is not awarded service credit for the period of reemployment;
 - b. Is refunded the accumulated contributions associated with the period of reemployment;
 - c. Starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
 - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- (2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - a. Is awarded service credit for the period of reemployment;
 - b. Starting the first month following termination of service receives:
 - i. The same retirement benefit previously paid to the member, and
 - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i. On the initial retirement benefit in January immediately following second retirement, and
 - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- (3) A member who returns to covered service is not eligible for a disability benefit.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA) If hired before July 1, 1997, and member did not elect GABA – the monthly retirement, disability, or survivor's benefit may not be less than 50% of the compensation of a newly confirmed officer of the employer where the member was last employed.

Contributions to the Plan

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions – Contribution rates are dependent upon the date of hire as a police officer. Contributions are deducted from each member's salary and remitted by the participating Employer. For fiscal year 2021:

- If hired prior to July 1, 1975, member contributions as a percentage of salary are 5.80%
- If hired after June 30, 1975, and prior to July 1, 1979, member contributions as a percentage of salary are 7.00%;
- If hired after June 30, 1979, and prior to July 1, 1997, member contributions as a percentage of salary are 8.50%; and,
- If hired on or after July 1, 1997, and for members electing GABA, member contributions as a percentage of salary are 9.00%.

Employer Contributions – Employers are required to contribute 14.41% of a member's compensation.

Nonemployer Entity Contributions – The State contributes 29.37% of a member's compensation from the General Fund. These amounts are considered a special funding situation in accordance with GASB 68.

Firefighters' Unified Retirement System – The FURS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and compensation.

Summary of Benefits

Member's compensation

Hired prior to July 1, 1981, and not electing GABA – highest monthly compensation (HMC);
Hired after June 30, 1981, and those electing GABA – highest average compensation (HAC) during any consecutive 36 months.

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

Part-time firefighter – 15% of regular compensation of a newly confirmed full-time firefighter.

Eligibility for benefit

Service retirement: 20 years of membership service, regardless of age.

Early Retirement: Age 50, 5 years of membership service.

Vesting

Death and disability rights are vested immediately
5 years of membership service.

Monthly benefit formula

Members hired prior to July 1, 1981, and not electing GABA are entitled to the greater of:
2.5% of HMC per year of service; or

- if less than 20 years of service – 2% of HMC for each year of service;
- if more than 20 years of service – 50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years.

Members hired on or after July 1, 1981, and those electing GABA: 2.5% of HAC per year of membership service.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

Minimum Benefit Adjustment (non-GABA)

If hired before July 1, 1997, and the member did not elect GABA, the monthly retirement, disability, or survivor's benefit may not be less than 50% of the compensation of a newly confirmed active firefighter of the employer that last employed the member.

Contributions to the Plan

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan. Effective July 1, 2013, employer and state contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by the participating employer. For members:

Hired prior to July 1, 1997, and not electing GABA, member contributions as a percentage of salary are 9.50%;

Hired on or after July 1, 1997, and electing GABA, member contributions as a percentage of salary are 10.70%.

Employer contributions to the system – Employers are required to contribute 14.36% of member's compensation.

Nonemployer entity contributions to the system – The State contributes 32.61% of a member's compensation from the General Fund.

Volunteer Firefighters' Compensation Act – The VFCA, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1965, and governed by Title 19, chapter 17, MCA. All members are unpaid volunteers and the State is the only contributor to the plan. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability, and survivorship benefits for all eligible volunteer firefighters who are members of qualified volunteer fire companies in unincorporated areas, towns or villages, and includes volunteer fire departments, fire districts, and fire service areas under the laws of the State. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited service. The VFCA also provides limited benefits for death or injuries incurred in the line of duty. A member who chooses to retire and draw a pension benefit may return to service with a volunteer fire department without loss of benefits. However, a returning retired member may not be considered an active member accruing credit for service.

Summary of Benefits

Eligibility for benefit

Age 55, 20 years of credited service;

Age 60, 10 years of credited service.

Effective July 1, 2011, members who retire on or after July 1, 2011, and have greater than 30 years of credited service will receive \$7.50 per month for each additional year of credited service over 30 years if the pension trust fund is actuarially sound, amortizing any unfunded liabilities in 20 years or less. This determination will be made annually and a member's benefit will be capped at \$250 a month (30 years of credited service) if the amortization period grows to greater than 20 years.

Vesting

10 years of credited service.

Monthly benefit formula (effective January 1, 2016)

\$8.75 per year of credited service up to 20 years;

\$7.50 per year of credited service after 20 years

Contributions to the Plan

The State, as a nonemployer contributing entity, is the only contributor to the VFCA. Contributions are 5% of fire insurance premium taxes collected on certain fire risks. This requires the plan to be treated as a special funding situation in accordance with GASB 68. The State Auditor makes annual payments from the General Fund to the VFCA fund. Rates are specified by state law for contributions to the VFCA plan. The State legislature has the authority to establish and amend contribution rates to the plan.

Teachers' Retirement System – The TRS is administered by the Teachers' Retirement Board (TRB), which is the governing body of a mandatory multiple-employer cost-sharing defined benefit pension plan that provides retirement services to persons in Montana employed as teachers or professional staff of any

public elementary or secondary school, community college, or unit of the university system. The TRS, as an employer, does not participate in the plan and acts only as the administrator of the plan.

The TRB is the governing body of the TRS, and the TRS's staff administer the TRS in conformity with the laws set forth in Title 19, chapter 20, MCA, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana.

Summary of Benefits

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Benefits are established by state law and can only be amended by the Legislature.

Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (AFC) (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation—1.85% of the AFC multiplied by the years of creditable service—for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than $1.6667 \times \text{AFC} \times \text{years of creditable service}$)

A guaranteed annual benefit adjustment (GABA) is payable on January 1 of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1. For Tier Two members, the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

Contributions to the System

All active employees in the TRS, regardless of employer type, are required to provide a contribution equal to 8.15% of their compensation.

All State and University employers are required to contribute 11.55% of compensation provided to an active, non-reemployed member. All school districts and other employers are required to contribute 9.17% of an active, non-reemployed, member's compensation to the System.

Section 19-20-605, MCA, requires each employer to contribute 9.85% of total compensation paid to all reemployed TRS retirees employed in a TRS reportable position. Pursuant to Section 19-20-609, MCA, this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of reemployed retiree compensation.

The TRS receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation, and the State is treated as a nonemployer contributing entity in the TRS. The System receives 0.11% of earned compensation from the General Fund for all TRS members. The TRS also receives 2.38% of earned compensation from the

General Fund for TRS members employed at school districts, community colleges, educational cooperatives, and counties in Montana. Finally, the State is also required to contribute \$25.0 million in perpetuity payable July 1 of each year. The Legislature has the authority to establish and amend contribution rates to the plan.

(2) Actuarial Assumptions

For all plans administered by MPERA, the total pension liability used to calculate the net pension liability/ (asset) for each plan was determined by an actuarial valuation date indicated in the table below using the following actuarial assumptions, applied to all periods included in the measurement, with update procedures used to roll forward the total pension liability to June 30, 2020. For the TRS plan, the total pension liability used to calculate the net pension liability as of June 30, 2020, is based on the results of an actuarial valuation as of July 1, 2020. Therefore, no update procedures were used for TRS to roll forward the total pension liability to the measurement date. The significant assumptions and other inputs used to measure the total pension liability were the following:

Plan	JRS	HPORS	GWPORS	PERS-DBRP	SRS	MPORS	FURS	VFCA	TRS
Administrator	MPERA								TRS
Valuation Date	June 30, 2019								July 1, 2020
Actuarial Experience Study	May 2017								May 2018
Inflation	2.40%								2.40 %
Total Wage Increases, including inflation	3.50%	3.50% to 10.02%	3.50% to 10.02%	3.50% to 8.47%	3.50% to 10.02%	3.50% to 10.33%	3.50% to 10.02%	N/A	3.25% to 7.76% for non-university members 4.25% for university members
General Wage Growth	3.50%							N/A	3.25 %
Merit Increase	None	0 to 6.30%	0 to 6.30%	0 to 4.80%	0 to 6.30%	0 to 6.60%	0 to 6.30%	N/A	0 to 4.51% for non-university members 1.00% for university members
Investment Return	7.34%								7.34 %
Administrative Expense as a % of Payroll	0.08%	0.18%	0.16%	0.30%	0.16%	0.15%	0.13%	\$202.0 thousand	0.45 %

Post-retirement Benefit Increases and GABA	7/1/1997 or elected GABA - 3.0%	7/1/1997 or elected GABA - 3.0% 7/1/2013 - 1.5%	Pre-7/1/2007 - 3.0% 7/1/2007 - 1.5%	Pre-7/1/2007 - 3.0% 7/1/2007 through 6/30/2013 - 1.5% 7/1/2013 - (a) 1.5% for each year if PERS is funded at or above 90%; (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and, (c) 0% whenever the amortization period is 40 years or more	Pre-7/1/2007 - 3.0% 7/1/2007 - 1.5%	7/1/1997 or elected GABA - 3.0%	7/1/1997 or elected GABA - 3.0%	N/A	Tier One members - 1.5% Tier Two members - equal to or greater than 0.5% but no more than 1.5%
Post-retirement Benefit Increases - Waiting Period	1 year	Pre-7/1/2013 - 1 year 7/1/2013 - 3 years	1 year	1 year	1 year	1 year	1 year	N/A	3 years
Post-retirement Benefit Increases - Minimum Benefit Adjustment	Pre-7/1/1997 and did not elect GABA: benefits increase same as salary of sitting judge.	Pre-7/1/1997 and did not elect GABA: 2% x service credits x base salary of probationary officer. Limited to 5.0% over current benefit and may not exceed 60% of base salary of probationary officer.	N/A	N/A	N/A	Pre-7/1/1997 and did not elect GABA - 1/2 of monthly salary of new officer	Pre-7/1/1997 and did not elect GABA - 1/2 of monthly salary of new firefighter	N/A	N/A

Mortality	<p>Mortality assumptions among contributing members, terminated vested members, service retired members, and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.</p> <p>Mortality assumptions among disabled retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.</p>	<p>Mortality among contributing members, service retired members, and beneficiaries are based on RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years. The tables include margins for mortality improvements which is expected to occur in the future.</p> <p>Mortality among disabled members are based on RP-2000 Disabled Mortality Table for Males, set back three years, with mortality improvements projected by Scale BB to 2022, and RP-2000 Disabled Mortality Table for Females, set forward two years, with mortality improvements projected by Scale BB to 2022.</p>
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Changes in actuarial assumptions and methods: For JRS, PERS-DBRP, SRS, MPORS, FURS, and VFCA, the discount rate was lowered from 7.65% to 7.34%. For HPORS, the discount rate was lowered from 7.65% to 4.43%. For GWPORS, the discount rate was lowered from 7.65% to 5.65%. For TRS, the discount rate was lowered from 7.50% to 7.34%. For JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, the investment rate of return was lowered from 7.65% to 7.34%. For TRS, the investment rate of return was lowered from 7.50% to 7.34%. For JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, the inflation rate was reduced from 2.75% to 2.40%. For TRS, the inflation rate was reduced from 2.50% to 2.40%.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date, for JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS.

Changes in proportionate share: Because the State is the single employer for JRS and HPORS, there were no changes in proportion of the net pension assets for JRS plan and the net pension liability for HPORS plan. Between the measurement date of the net pension liability (asset) and the State's reporting date, the investment rates of return of JRS and HPORS were substantially higher than the investment rates of return assumption. Therefore, the State's net pension assets for JRS are expected to increase and the State's net pension liability for HPORS are expected to decrease.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the State's reporting date, the investment rate of return of GWPORS was substantially higher than the investment rate of return assumption. Therefore, the State's proportionate share of the collective net pension liability as the State's primary government employer, and the State's discretely presented component units are expected to change. The State still reports 100.0% GWPORS plan, and the total plan net pension liability are expected to decrease.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the State's reporting date, the investment rates of return of PERS-DBRP, SRS, MPORS, FURS, and TRS plans were substantially higher than the investment rates of return assumption. Therefore, the State's proportionate share amounts of the collective net pension liability as the State's employer and non-employer contributing entity in applicable plans are expected to decrease.

Changes in proportionate share: Because the State is the only contributing entity, there were no changes in proportion of the net pension liability for VFCA plan. The State reports 100.0% VFCA plan. Between the measurement date of the collective net pension liability and the non-employer's reporting date, the investment rate of return of VFCA was substantially higher than the investment rate of return assumption. Therefore, the State's non-employer proportionate share of the collective net pension liability is expected to decrease.

(3) Discount Rate

The discount rate used to measure the total pension liability was 7.34% for JRS, 4.43% for HPORS, 5.65% for GWPORS, and 7.34% for SRS. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, each pension plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2106 for JRS, 2129 for HPORS, 2120 for GWPORS, and 2121 for SRS. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate for JRS and SRS. A municipal bond rate of 2.19% was incorporated in the discount rate for HPORS and GWPORS.

The discount rate used to measure the total pension liability for PERS-DBRP, MPORS, and FURS was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entity will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, each pension plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123 for PERS-DBRP, 2134 for MPORS, and 2133 for FURS. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

The discount rate used for VFCA to measure the total pension liability was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from the nonemployer contributing entity will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the VFCA's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2112. A municipal bond rate was not incorporated in the discount rate.

The discount rate used to measure the total pension liability for TRS was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entity will be made based on the TRB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the TRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

(4) Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, and VFCA plans administered by MPERA. The most recent analysis of each plan, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the TRS. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The average long term capital market assumptions published in the Survey of Capital Market Assumptions 2020 Edition by Horizon Actuarial Service, LLC, yield a median real return of 4.94%. Assumed inflation is based on the intermediate inflation assumption of 2.40% in the 2020 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75 year cost projections. Combining these two results yields a nominal return of 7.34%. All the plans administered by MPERA and TRS have the same target allocation and long-term expected real rate of return. The target allocation and best estimates of the arithmetic real rates of return for each major asset class as of June 30, 2020, are summarized in the table below:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Domestic Equity	30.00%	6.19%
International Equity	16.00%	6.92%
Private Investments	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	5.00%	3.97%
Cash	2.00%	0.11%
Total	100.00%	

(5) Change in Net Pension Liability (Asset)

A schedule of changes in the net pension liability (asset) is presented for each of the single-employer defined benefit plans (amounts expressed in thousands). The date in the schedules is a measurement date, which is one year earlier than the financial reporting date.

	JRS		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at 6/30/2019	\$ 65,319	\$ 104,886	\$ (39,567)
Service costs	1,748	—	1,748
Interest	4,842	—	4,842
Difference between expected and actual experience	(262)	—	(262)
Changes of assumptions	1,912	—	1,912
Contributions – employer	—	1,988	(1,988)
Contributions – member	—	560	(560)
Net investment income	—	2,827	(2,827)
Refunds of contributions	—	—	—
Benefit payments	(4,038)	(4,038)	—
Plan administrative expense	—	(157)	157
Other changes	—	—	—
Net changes	4,202	1,180	3,022
Balances at 6/30/2020	\$ 69,521	\$ 106,066	\$ (36,545)

	HPORS		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2019	\$ 237,728	\$ 152,778	\$ 84,950
Service costs	3,337	—	3,337
Interest	17,688	—	17,688
Difference expected and actual experience	(993)	—	(993)
Changes in assumptions	141,055	—	141,055
Contributions – employer	—	6,003	(6,003)
Contributions – non-employer (State)	—	226	(226)
Contributions – member	—	2,170	(2,170)
Net investment income	—	4,101	(4,101)
Refund of contributions	(331)	(331)	—
Benefit payments	(12,685)	(12,685)	—
Plan administrative expense	—	(163)	163
Other changes	—	(131)	131
Net changes	148,071	(810)	148,881
Balances at 6/30/2020	\$ 385,799	\$ 151,968	\$ 233,831

GWPORS

	<u>State as Primary Government Employer</u>			<u>State's Discretely Presented Component Units</u>			<u>Total State (Plan)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at 6/30/2019	\$ 234,679	\$ 196,044	\$ 38,635	\$ 12,334	\$ 10,304	\$ 2,030	\$ 247,013	\$ 206,348	\$ 40,665
Service costs	7,622	—	7,622	407	—	407	8,029	—	8,029
Interest	17,595	—	17,595	940	—	940	18,535	—	18,535
Difference between expected and actual experience	(1,924)	—	(1,924)	(103)	—	(103)	(2,027)	—	(2,027)
Changes in assumptions	81,606	—	81,606	4,361	—	4,361	85,967	—	85,967
Contributions – employer	—	4,622	(4,622)	—	246	(246)	—	4,868	(4,868)
Contributions – member	—	5,509	(5,509)	—	294	(294)	—	5,803	(5,803)
Net investment income	—	5,300	(5,300)	—	283	(283)	—	5,583	(5,583)
Refunds of contributions	(1,139)	(1,139)	—	(61)	(61)	—	(1,200)	(1,200)	—
Benefit payments	(7,829)	(7,829)	—	(418)	(418)	—	(8,247)	(8,247)	—
Plan administrative expense	—	(228)	228	—	(13)	13	—	(241)	241
Other changes ⁽¹⁾	(200)	(171)	(29)	200	167	33	—	(4)	4
Net changes	95,731	6,064	89,667	5,326	498	4,828	101,057	6,562	94,495
Balances at 6/30/2020	\$ 330,410	\$ 202,108	\$ 128,302	\$ 17,660	\$ 10,802	\$ 6,858	\$ 348,070	\$ 212,910	\$ 135,160

⁽¹⁾ The Changes in Net Pension Liability table is only provided at the system level. The ending balances and the components of the changes are derived from the primary government's proportionate share of the total plan balances and the discretely presented component unit's proportionate share of the total plan balances. Due to the change in proportionate share in each year, the other changes line item includes the difference between the proportionate share of the balances and the preliminary calculated balances.

(6) Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability/(asset) to changes in the discount rate, the table below presents the net pension liability/(asset), of the plans administered by MPERA and TRS, calculated using the discount rate of 7.34% for JRS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS; 4.43% for HPORS; and 5.65% for GWPORS; as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1.00% lower (6.34% for JRS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS; 3.43% for HPORS, and 4.65% for GWPORS) or 1.00% higher (8.34% for JRS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS; 5.43% for HPORS, and 6.65% for GWPORS) than the current rate.

**Sensitivity of the Plan Participating Employer and Nonemployer Contributing Entities
Net Pension Liability (Asset) to Changes in the Discount Rate
(amounts expressed in thousands)**

		Plan	JRS	HPORS	GWPORS	PERS-DBRP	SRS	MPORS	FURS	VFCA	TRS
Primary Government	State as Employer	1.0% Decrease	\$ (29,733)	\$ 306,955	\$ 184,487	\$ 1,498,548	\$ 9,226	\$ —	\$ 6,020	\$ —	\$ 30,499
		Current	(36,545)	233,831	128,302	1,088,713	5,800	—	3,722	—	22,906
		1.0% Increase	(42,413)	177,819	83,222	744,453	2,998	—	1,876	—	16,553
	State as NER	1.0% Decrease	—	—	—	516,210	—	233,100	171,222	13,962	1,094,843
		Current	—	—	—	375,032	—	163,514	105,867	9,106	822,282
		1.0% Increase	—	—	—	256,444	—	108,001	53,353	5,002	594,239
	Discretely Presented Component Units	1.0% Decrease	—	—	9,861	278,065	—	—	—	—	38,488
		Current	—	—	6,858	202,017	—	—	—	—	28,906
		1.0% Increase	—	—	4,448	138,138	—	—	—	—	20,890
	Fiduciary Component Units	1.0% Decrease	—	—	—	2,644	—	—	—	—	—
		Current	—	—	—	1,921	—	—	—	—	—
		1.0% Increase	—	—	—	1,314	—	—	—	—	—
Total		1.0% Decrease	(29,733)	306,955	194,348	2,295,467	9,226	233,100	177,242	13,962	1,163,830
		Current	(36,545)	233,831	135,160	1,667,683	5,800	163,514	109,589	9,106	874,094
		1.0% Increase	\$ (42,413)	\$ 177,819	\$ 87,670	\$ 1,140,349	\$ 2,998	\$ 108,001	\$ 55,229	\$ 5,002	\$ 631,682

(7) Net Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

In accordance with GASB 68, the employer is required to recognize and report certain amounts associated with its participation in the JRS, HPORS, and GWPORS, the plans the State participates in as a single-employer. GASB 68 became effective June 30, 2015, and includes requirements for participant to record and report its net pension liability (NPL) or net pension asset (NPA), pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions. In accordance with GASB 68, employers and the nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions. The proportionate shares were determined based on contributions made to the plan by employers and the nonemployer contributing entity in a special funding situation, when a plan has the nonemployer contributing entity, during the measurement period July 1, 2019, through June 30, 2020, relative to the total contributions received from all participating employers and the nonemployer contributing entity. Due to the existence of the special funding situation in the PERS-DBRP, FURS, MPORS, VFCA, and TRS, the State is required to report a proportionate share of the collective net pension liability that is associated with the non-State employers in these plans, respectively.

Net Pension Liability (Asset): The following presents the state's net pension liability as of June 30, 2021 (amounts presented in thousands):

Plan as of Measurement Date		Net Pension Liability (Asset) as of 6/30/2019	Net Pension Liability (Asset) as of 6/30/2020	Percent of NPL/NPA as of 6/30/2019	Percent of NPL/NPA as of 6/30/2020	Change in Percent of NPL/NPA
JRS	Primary government	\$ (39,567)	\$ (36,545)	100 %	100 %	— %
HPORS	Primary government	84,950	233,831	100 %	100 %	— %
GWPORS	Primary government	38,635	128,302	95.007027 %	94.926189 %	(0.080838)%
	Discretely presented component units	<u>2,030</u>	<u>6,858</u>	<u>4.992973 %</u>	<u>5.073811 %</u>	<u>0.080838 %</u>
	State of Montana totals	40,665	135,160	100 %	100 %	— %

Collective Net Pension Liability: The following presents the state's proportionate share of the collective net pension liability as of June 30, 2021 (amounts presented in thousands).

Plan as of Measurement Date		Net Pension Liability as of 6/30/2019 ⁽¹⁾	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2019 ⁽¹⁾	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
PERS-DBRP	Primary government	\$ 866,431	\$ 1,088,713	41.440995 %	41.267072 %	(0.173923)%
	Discretely presented component units	156,990	202,017	7.517256 %	7.657348 %	0.140092 %
	Fiduciary component units	1,488	1,921	0.071053 %	0.072815 %	0.001762 %
	Nonemployer contributing entity	<u>303,530</u>	<u>375,032</u>	<u>14.522915 %</u>	<u>14.215404 %</u>	<u>(0.307511)%</u>
	State of Montana totals	1,328,439	1,667,683	63.552219 %	63.212639 %	(0.339580)%
SRS	Primary government	4,067	5,800	4.876949 %	4.758893 %	(0.118056)%
MPORS	Nonemployer contributing entity	133,487	163,514	67.063878 %	66.853347 %	(0.210531)%
FURS	Primary government	2,309	3,722	2.013129 %	2.378643 %	0.365514 %
	Nonemployer contributing entity	<u>79,524</u>	<u>105,867</u>	<u>69.323577 %</u>	<u>67.656380 %</u>	<u>(1.667197)%</u>
	State of Montana totals	81,833	109,589	71.336706 %	70.035023 %	(1.301683)%
VFCA	Nonemployer contributing entity	6,907	9,106	100 %	100 %	— %
TRS	Primary government	19,118	22,906	0.991432 %	1.018287 %	0.026855 %
	Discretely presented component units	27,375	28,906	1.419681 %	1.285043 %	(0.134638)%
	Nonemployer contributing entity	<u>715,637</u>	<u>822,282</u>	<u>37.112880 %</u>	<u>36.554642 %</u>	<u>(0.558238)%</u>
	State of Montana totals	762,130	874,094	39.523993 %	38.857972 %	(0.666021)%

⁽¹⁾ The breakdown of the PERS-DBRP net pension liability as of 6/30/2019 were restated applying the allocation method for note disclosure.

Pension Expense

The State recognized the following pension expenses for the State as the primary government employer, the State's discretely presented component units, and the State's fiduciary component units, and pension grant expenses for the State as nonemployer contributing entity, for the year ended June 30, 2021 (amounts presented in thousands):

Plan	Primary Government				Total
	State as Employer	State as Nonemployer Contributing Entity	Discretely Presented Component Units	Fiduciary Component Units	
JRS	\$ 1,243	\$ —	\$ —	\$ —	\$ 1,243
HPORS	48,232	—	—	—	48,232
GWPORS	25,886	—	1,355	—	27,241
PERS-DBRP ⁽¹⁾	167,295	115,099	34,829	344	317,567
SRS	354	—	—	—	354
MPORS ⁽²⁾	—	29,464	—	—	29,464
FURS ⁽³⁾	832	21,039	—	—	21,871
VFCA ⁽⁴⁾	—	1,844	—	—	1,844
TRS ⁽⁵⁾	2,982	90,792	14,666	—	108,440

⁽¹⁾ Of the total pension expense for the State as a nonemployer contributing entity, \$1.1 million is the grant expense for special funding support provided by the General Fund to local government and school district participants, \$34.0 million is the grant expense for special funding support provided by the General Fund as a statutory appropriation for all participating employers; \$80.1 million is the pension expense that is actuarially allocated to the State as a nonemployer contributing entity.

⁽²⁾ The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective MPORS pension expense that is associated with other employer participants in the plan.

⁽³⁾ The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective FURS pension expense that is associated with other employer participants in the plan.

⁽⁴⁾ The grant expense for the State as a nonemployer contributing entity is for special funding support provided by a portion of fire tax premiums paid to the State and transferred to MPERS for its proportionate share of the collective VFCA pension expense that is associated with other employer participants in the plan.

⁽⁵⁾ The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective TRS pension expense that is associated with other employer participants in the plan.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of the fiscal year ended June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts presented in thousands):

JRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,372	\$ 921
Changes of assumptions	1,434	—
Net difference between projected and actual earnings on pension plan investments	4,135	—
Contributions subsequent to the measurement date	2,138	—
Totals	\$ 9,079	\$ 921

HPORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,354	\$ 745
Changes of assumptions	105,791	—
Net difference between projected and actual earnings on pension plan investments	5,982	—
Contributions subsequent to the measurement date	6,599	—
Totals	\$ 119,726	\$ 745

GWPORS	Primary Government		Discretely Presented Component Units		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,053	\$ 4,232	\$ 163	\$ 226	\$ 3,216	\$ 4,458
Changes in assumptions	66,400	—	3,549	—	69,949	—
Net difference between projected and actual earnings on pension plan investments	7,900	—	422	—	8,322	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	168	139	39	68	207	207
Contributions subsequent to the measurement date	5,165	—	229	—	5,394	—
Totals	\$ 82,686	\$ 4,371	\$ 4,402	\$ 294	\$ 87,088	\$ 4,665

PERS-DBRP	Primary Government				Discretely Presented Component Units		Fiduciary Component Units	
	State as Employer		State as Nonemployer Contributing Entity					
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 17,574	\$ 31,128	\$ 6,054	\$ 10,723	\$ 3,261	\$ 5,776	\$ 31	\$ 55
Change of assumptions	75,389	—	25,970	—	13,989	—	133	—
Net difference between projected and actual earnings on pension plan investments	94,273	—	32,474	—	17,493	—	167	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,201	47,596	51,635	92	—	7,065	—	59
Contributions subsequent to the measurement date	65,720	—	21,180	—	13,037	—	121	—
Totals	\$ 289,157	\$ 78,724	\$ 137,313	\$ 10,815	\$ 47,780	\$ 12,841	\$ 452	\$ 114

SRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 263	\$ 2
Changes of assumptions	1,193	903
Net difference between projected and actual earnings on pension plan investments	713	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	252
Contributions subsequent to the measurement date	607	—
Totals	\$ 2,776	\$ 1,157

MPORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,838	\$ 516
Change of assumptions	13,895	—
Net difference between projected and actual earnings on pension plan investments	12,716	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	954	1,265
Contributions subsequent to the measurement date	17,395	—
Totals	\$ 52,798	\$ 1,781

FURS	Primary Government			
	State as Employer		State as Nonemployer Contributing Entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 253	\$ 19	\$ 7,206	\$ 551
Change of assumptions	661	—	18,807	—
Net difference between projected and actual earnings on pension plan investments	478	—	13,591	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	120	12	2,330	2,671
Contributions subsequent to the measurement date	665	—	17,897	—
Totals	\$ 2,177	\$ 31	\$ 59,831	\$ 3,222

VFCA	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 250	\$ 58
Change of assumptions	897	—
Net difference between projected and actual earnings on pension plan investments	1,690	—
Contributions subsequent to the measurement date	2,578	—
Totals	\$ 5,415	\$ 58

TRS	Primary Government				Discretely Presented Component Units	
	State as Employer		State as Nonemployer Contributing Entity			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 222	\$ —	\$ 7,971	\$ —	\$ 281	\$ —
Change of assumptions	1,200	26	43,066	945	1,514	33
Net difference between projected and actual earnings on pension plan investments	1,605	—	57,604	—	2,025	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	863	526	5,295	29,257	12,983	48
Contributions subsequent to the measurement date	1,455	—	46,701	—	14,648	—
Totals	\$ 5,345	\$ 552	\$ 160,637	\$ 30,202	\$ 31,451	\$ 81

The amounts reported in the tables above as deferred outflows of resources related to pensions resulting from the contributions made subsequent to the June 30, 2020, measurement date will be recognized as a reduction of the net pension liability (asset) in the fiscal year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts presented in thousands):

Year ended June 30:	JRS	HPORS	SRS	MPORS	VFCA
2022	\$ 849	\$ 36,457	\$ (272)	\$ 10,251	\$ 757
2023	2,298	37,357	467	11,881	1,065
2024	1,846	37,088	456	8,552	564
2025	1,027	1,480	361	2,938	393
2026	—	—	—	—	—
Thereafter	—	—	—	—	—

Year ended June 30:	GWPORS		
	Primary Government	Discretely Presented Component Units	Total
2022	\$ 19,360	\$ 1,006	\$ 20,366
2023	18,220	968	19,188
2024	17,696	944	18,640
2025	17,874	961	18,835
2026	—	—	—
Thereafter	—	—	—

Year ended June 30:	PERS-DBRP			
	Primary Government		Discretely Presented Component Units	Fiduciary Component Units
	State as Employer	State as Nonemployer Contributing Entity		
2022	\$ 29,644	\$ 67,311	\$ (584)	\$ —
2023	58,576	18,547	12,004	117
2024	32,940	11,347	6,112	58
2025	23,553	8,113	4,370	42
2026	—	—	—	—
Thereafter	—	—	—	—

Year ended June 30:	FURS	
	Primary Government	
	State as Employer	State as Nonemployer Contributing Entity
2022	\$ 279	\$ 8,463
2023	372	10,335
2024	325	8,840
2025	209	5,855
2026	—	—
Thereafter	296	5,219

Year ended June 30:	TRS		
	Primary Government		Discretely Presented Component Units
	State as Employer	State as Nonemployer Contributing Entity	
2022	\$ 1,120	\$ 22,432	\$ 8,512
2023	1,017	22,679	5,326
2024	798	24,166	2,376
2025	403	14,457	508
2026	—	—	—
Thereafter	—	—	—

E. Legal Actuarial Status of Plans

The Montana Constitution, Article VIII, Section 15, and Section 19-2-409, MCA state that public retirement systems shall be funded on an actuarially sound basis. To maintain a fund on an actuarially sound basis, the rate of contributions should fund the normal cost, in addition to amortizing the unfunded liability over a period not to exceed 30 years.

A traditional funding actuarial valuation of each of the defined benefit plans is performed annually. The purpose of the traditional funding actuarial valuation is to measure funding progress and to determine the actuarial determined contribution, contribution sufficiency or deficiency, and other actuarial information necessary for monitoring funding position. The most recent actuarial valuation was performed for fiscal year ended June 30, 2021. The statutory funding rate is tested in the valuation of each public retirement plan to determine if it is sufficient to cover the normal cost rate plus an amortization payment of the unfunded actuarial liability, if any, within 30 years. As of June 30, 2021, the Game Warden & Peace Officers' Retirement System (GWORS) was not in compliance and did not amortize within 30 years.

F. Public Employee Defined Contribution Retirement Plans

Public Employees' Retirement System-Defined Contribution Retirement Plan – The Public Employees' Retirement System - Defined Contribution Retirement Plan (PERS-DCRP) is a multiple Employer plan established July 1, 2002, and governed by Title 19, Chapters 2 & 3, MCA. This plan is available to eligible employees of the State, Montana University System, local governments, and school districts. All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to transfer to the PERS-DCRP, or remain in the PERS-DBRP, by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. The PERS-DCRP provides retirement, disability, and death benefits to plan members and their beneficiaries.

Member and employer contribution rates are established by state law and may be amended only by the Legislature. Employees contribute at a rate of 7.90% of their compensation. Contributions made to the plan by an employee remain 100% vested in their interest. Members who achieve 5 years of employment are vested in the plan. Should they terminate prior to this 5-year period, all employer contributions are forfeited to the plan. Amounts forfeited are held in a separate plan forfeiture account and can only be used to pay the administrative expenses, including startup costs, of the plan. Total pension expense for the State as a PERS-DCRP employer for the year ended June 30, 2021, is \$9.7 million and, contribution forfeitures were \$643.0 thousand.

Local government entities contribute 8.77% of member compensation. School district employers contributed 8.50% of member compensation. The State contributes 0.10% of member compensation on behalf of local government entities and 0.37% of member compensation on behalf of school district entities. Each State agency and University employer contributed 8.87% of member compensation.

The total contribution rate of 8.87%, referenced in the preceding paragraph, is allocated as follows: 8.53% to the member's retirement account; 0.04% to the defined contribution education fund; and 0.30% to the defined contribution Other Post Employment Benefit (OPEB) disability plan.

The PERS-DCRP also administers an OPEB disability plan. Refer to PERB's annual financial report for additional information related to this portion of the plan.

457(b)-Deferred Compensation Plan – The 457(b)-Deferred Compensation Plan (457(b)-Plan) is a voluntary supplemental retirement savings plan established in 1974. The Deferred Compensation Plan is governed by Title 19, Chapter 50, MCA, in accordance with Internal Revenue Code (IRC) Section 457. This plan is available to all employees of the State, Montana University System, and contracting political subdivisions. The State and 62 non-state entity employers participate in the 457(b)-Plan.

Assets of the Deferred Compensation Plan are required to be held in trusts, custodial accounts, or insurance company contracts for the exclusive benefit of participants and their beneficiaries. Empower Retirement™ is the record keeper for the plan. Participants elect to defer a portion of their salary, within IRC limits. The deferred salary is not available to employees until separation from service, retirement, death, or upon an unforeseeable emergency while still employed, provided IRS-specified criteria are met.

G. Montana University System Retirement Program

Montana University System-Retirement Program (MUS-RP) – This system was established in January 1988 and is underwritten by the Teachers Insurance and Annuity Association (TIAA). Effective July 1, 1993, MUS-RP was made the mandatory retirement plan for new faculty and administrative staff with contracts under the authority of the Board of Regents, previously referred to as the Optional Retirement Program (ORP). The MUS-RP is a defined contribution retirement plan governed by Title 19, Chapter 21, MCA. Combined contributions to the faculty and professional staff plan cannot exceed 13% of the participant's compensation per Section 19-21-203, MCA. Combined contributions to the classified staff plan are 16.77% per Section 19-3-316, MCA and Section 19-3-315, MCA.

The benefits at retirement depend upon the amount of contributions, amount of investment gains and losses, and investment allocations by the participant. Individuals are immediately vested for both employee and employer contributions. The Montana University System records employee/employer contributions, and remits monies to TIAA. Total contributions made to the plan by the employer were \$17.4 million, and the total employee contributions were \$20.0 million for the fiscal year ended June 30, 2021.

H. Method Used to Value Investments

The Montana Board of Investments (BOI) manages the investments, as authorized by state law, for the defined benefit retirement plans in two investment pools, the Consolidated Asset Pension Pool (CAPP) and the Short-Term Investment Pool (STIP). CAPP is an internal investment pool and STIP is an external investment pool. Each retirement plan's ownership in the pools is based on the funds contributed. Individual investments in the pools are not specifically identified to the respective retirement plan. Investments are reported at either fair value or cost, depending on the underlying investment type. Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Mortgages are present value adjusted. Investment valuation not classified within the fair value measurement levels are reported at Net Asset Value. Further detail related to investments is provided in Note 3.

I. Long-term Contracts for Contributions

Per Section 19-2-706, MCA, the Montana Legislature enacted a provision of the Employee Protection Act (EPA) allowing state and university system employees who are eligible for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. In fiscal year 2021, 269 employees participated in the program.

The Employer has up to ten years to complete payment for the service purchases and is charged the actuarially required rate of return as established by MPERA on the unpaid balance. Total contributions received (including interest) during fiscal year 2021 totaled \$171.4 thousand. The outstanding balance at June 30, 2021, totaled \$7.6 thousand.

J. Litigation

Tadman, et al. v. State. A retired member of the Sheriffs' Retirement System filed a class action in the Eighth Judicial District of Montana against the State of Montana on October 6, 2015, alleging the inappropriate advising, reporting, and withholding of state and federal income taxes on certain line-of-duty disability benefits before conversion to a normal retirement benefit. The State was served with the

Complaint on November 25, 2015, and is represented by Jean Faure and Jason Holden of the Faure Holden law firm in Great Falls, Montana. On June 11, 2019, the Court issued an Order granting Plaintiff's Motion to Certify Class. The Court has defined the prospective class of plaintiffs in this matter and the parties were instructed by the Court to meet and confer to agree on the class form of notice and notice plan concerning the matter. Counsel representing the class are Lawrence A. Anderson from Great Falls, Montana and Tom and Sean Morrison from Helena, Montana. This matter was settled between the parties and approved by the Court as of March 22, 2021. Below is the detail of litigation settlements with amounts presented in thousands.

<i>Tadman, et al. v. State</i>	JRS	HPORS	SRS	GWPORS	Totals
Benefits	\$ 3.2	\$ 420.6	\$ 1,549.3	\$ 26.9	\$ 2,000.0
Administrative expense (legal costs)	1.6	210.3	774.7	13.4	1,000.0
Totals	\$ 4.8	\$ 630.9	\$ 2,324.0	\$ 40.3	\$ 3,000.0

PERB v. Lewis and Clark County. On May 1, 2020, the PERB filed a Complaint for Declaratory Relief in the First Judicial District of Montana against Lewis and Clark County. This complaint asked the Court to rule that the Montana Constitution, Article VIII, Section 15, vests the PERB with the authority to actuarially determine the amount of the unfunded pension liabilities attributable to a component unit of Lewis and Clark County that has terminated its participation in a PERB administered defined benefit plan, and compel the payment of and collect this unfunded pension liability upon this component unit's termination. On May 13, 2020, Lewis and Clark County filed a motion to dismiss the Complaint. This motion has been fully briefed by both parties and the PERB awaits a ruling from the Court. On June 1, 2020, the PERB filed its First Amended Complaint amending its original pleading to add a claim for breach of contract against Lewis and Clark County. On June 18, 2020, Lewis and Clark County filed a motion to dismiss PERB's First Amended Complaint. This motion has been fully briefed and the PERB awaits a ruling from the Court. This matter was consolidated with Montana Association of Counties, Lewis and Clark County, and Cascade County v. PERB and MPERA by the Court on February 22, 2021.

Montana Association of Counties (MACo), Lewis and Clark County, and Cascade County v. PERB and MPERA. On May 1, 2020, the MACo filed a Complaint for Declaratory Judgement, Injunctive Relief, and a Writ of Prohibition against the PERB and MPERA in the First Judicial District Court of Lewis and Clark County. This Complaint asked the Court to rule that the Montana Constitution, Article VIII, Section 15, does not vest the PERB with the authority to determine and collect unfunded pension liabilities owed to the PERS-DBRP trust as a result of partial withdrawals of employees or reductions in force, and that the 1947 Contract between the PERB and Lewis and Clark County and Cascade County, as well as other similar agreements between the PERB and all other Montana counties, does not vest the PERB with the authority to determine and collect unfunded pension liabilities owed to the PERS-DBRP trust as a result of partial withdrawals of employees or reductions in force, and that MACo is entitled to a preliminary and permanent injunction enjoining PERB from assessing withdrawal penalties against Montana counties, and that MACo is entitled to a Writ of Prohibition arresting the PERB from assessing withdrawal penalties against Montana counties. On May 15, 2020, MACo amended its original pleading by filing its First Amended Complaint. This amendment added the additional parties of Lewis and Clark County and Cascade County to this action as plaintiffs as well as the additional claims for breach of express and implied contract. On June 25, 2020, the PERB filed a Motion to Dismiss, or in the Alternative, Partial Summary Judgement with regard to the Plaintiffs' Count II, IV, V, and VI. This motion has been fully briefed by all parties and the PERB awaits a ruling from the Court. This matter was consolidated with PERB v. Lewis and Clark County by the Court on February 22, 2021.

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information Non-trust Plans

The State of Montana (State) and the Montana University System (MUS) provide optional postemployment healthcare benefits in accordance with Section 2-18-704, MCA to the following employees and dependents who elect to continue coverage and pay administratively established contributions: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Medical, dental, and vision benefits are available through this plan. The State and MUS offer OPEB plans that are not administered through trusts; as such, there are no plan assets accumulated to offset the total OPEB liability.

In accordance with Section 2-18-704, MCA, the State provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from the Public Employees' Retirement System (PERS) or various other State retirement systems, and elect to start medical coverage within 60 days of leaving employment. Retirement eligibility criteria differ by state retirement plan. Further detail on state retirement plans is provided in Note 6. MUS provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from their plan, or an annuity under the MUS-RP, and have been employed by MUS for at least five years, are age 50, or have worked 25 years with MUS. They must elect to start medical coverage within 60 days of leaving employment. Spouses, unmarried dependent children, and surviving spouses are also eligible for both plans.

Montana State Fund, a discretely presented component of the State and participant in the State OPEB plan, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting period, there will be a variance between the note disclosures and the financial statements for OPEB related information.

B. Plan Descriptions

Both healthcare OPEB plans for the State and MUS are reported as single-employer plans. In addition to the primary government, the participating employers under the State OPEB plan are Facility Finance Authority, Montana Board of Housing, Public Employees' Retirement System, Montana State Fund, and Teachers' Retirement System. The participating employers under the MUS OPEB plan are Office of Commissioner of Higher Education (OCHE), Montana State University - Billings (MSU-Billings), Montana State University - Bozeman (MSU-Bozeman), Great Falls College MSU, Montana State University - Northern (MSU-Northern), Montana Technological University, Helena College UM, University of Montana - Missoula (UM-Missoula), and University of Montana - Western (UM-Western). Participating employers under MUS, but excluded from the total OPEB liability due to not qualifying as component units, are Dawson Community College (Dawson CC), Flathead Valley Community College (Flathead CC), and Miles Community College (Miles CC). Each participating employer is required to disclose additional information as required per GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75).

The State and MUS pay for post-employment healthcare benefits on a pay-as-you-go basis. Section 2-18-812, MCA gives authority for establishing and amending the funding policy to the Department of Administration for the State group health insurance plan. Section 20-25-1310, MCA gives authority for establishing and amending the funding policy to the Board of Regents for the MUS group health insurance plan. The healthcare OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in reporting the total OPEB liability in the related financial statements and note disclosures. Reported contributions are not a result of direct funding to the plans or for associated liabilities, but are a measure of the difference in retiree payments into the plans and actual medical costs associated with those individuals paid for by the plans.

As of December 31, 2020, the State OPEB plan's administratively established retiree medical premiums vary between \$457.00 and \$2,172.00 per month, depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums vary between \$41.10 and

\$70.00 per month and vision hardware premiums vary between \$7.64 and \$22.26 per month, depending on the coverage selected. The plan provides different coinsurance amounts and deductibles depending on whether members use participating or non-participating providers. Once retiree members become Medicare eligible, the plan automatically processes claim reimbursement as the secondary insurer, even if the member is not enrolled in Medicare. A basic life insurance plan on the life of the retiree is also included with a retiree's core benefits until the retiree reaches age 65 or is eligible for Medicare.

As of June 30, 2021, the MUS OPEB plan's administratively established retiree medical premiums vary between \$368.00 and \$2,452.00 per month. Retiree dental premiums vary between \$52.00 and \$156.00 per month, while vision premiums vary from \$10.70 to \$31.18, depending on the types and number of dependents enrolled and which medical Third Party Administrator (TPA) was selected. The plan provides different coinsurance amounts and deductibles depending on whether members use in-network or out-of-network providers. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare. The premium changes were based on actual claims experience and actuarial projections based on the experience and trends.

C. Basis of Accounting

Total OPEB liability is reported on an accrual basis on the proprietary and fiduciary fund financial statements, the government-wide financial statements, and the component unit financial statements. Total OPEB liability is not reported on the governmental fund financial statements, as it is considered a long-term liability. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Both OPEB plans state, that an employee enrolled in the OPEB plan, who (a) at least meets the early retirement criteria defined by Montana Public Employees' Retirement Administration (MPERA); and (b) makes arrangements with their respective benefit office, within 60 days of the date active employee coverage ends, to continue post-retirement coverage, may continue with the OPEB plan on a self-pay basis, retroactive back to the date active employee coverage was lost, and adhere to these provisions. Therefore, each plan does not include terminated employees who have accumulated benefits but are not yet receiving them. There have been no significant changes in the number covered or the type of coverage as of June 30, 2021.

The number of State Plan participants as of March 31, 2021, follows:

Enrollment	State Plan Participants						Total
	State ⁽¹⁾	Facility Finance Authority ⁽²⁾	Montana Board of Housing ⁽²⁾	Public Employee Retirement Board ⁽³⁾	Montana State Fund ⁽²⁾	Teachers Retirement System ⁽³⁾	
Active employees	12,210	3	36	51	285	21	12,606
Retired employees, spouses, and surviving spouses	2,178	2	3	1	17	4	2,205
Total	14,388	5	39	52	302	25	14,811

The number of MUS Plan participants as of March 31, 2021, follows:

Enrollment	MUS Plan Participants									Total
	MSU-GFC ⁽²⁾	UM-HC ⁽²⁾	MSU-Billings ⁽²⁾	MSU-Bozeman ⁽²⁾	MSU-Northern ⁽²⁾	OCHE ⁽¹⁾	UM-Missoula ⁽²⁾	UM-MT Tech ⁽²⁾	UM-Western ⁽²⁾	
Active employees	103	71	427	3,026	171	46	1,856	382	179	6,261
Retired employees, spouses, and surviving spouses	8	14	109	459	35	16	475	97	52	1,265
Total	111	85	536	3,485	206	62	2,331	479	231	7,526

⁽¹⁾ Primary Government

⁽²⁾ Discrete Component Units of Primary Government

⁽³⁾ Fiduciary Component Units of Primary Government

D. Schedule of Changes in Total OPEB Liability

The following table presents the other items related to and changes in the total OPEB liability:

Annual OPEB Cost & Changes in Total OPEB liability
(in thousands)

	State Plan			MUS Plan		
	Primary Government Total OPEB Liability	Discrete Component Unit and Fiduciary Component Unit Total OPEB Liability	Total State Plan	Primary Government Total OPEB Liability	Discrete Component Unit Total OPEB Liability	Total MUS Plan
Balances at 6/30/2020	\$ 46,129	\$ 1,213	\$ 47,342	\$ 283	\$ 26,566	\$ 26,849
Changes for the year:						
Service cost	1,684	50	1,734	16	1,396	1,412
Interest	1,299	34	1,333	8	769	777
Difference between expected and actual experience	(6,389)	252	(6,137)	(207)	(17,181)	(17,388)
Changes of assumptions or other inputs	101,723	2,716	104,439	461	45,213	45,674
Benefit payments	(1,165)	(31)	(1,196)	—	(13)	(13)
Net changes	97,152	3,021	100,173	278	30,184	30,462
Balances at 6/30/2021 ⁽¹⁾	\$ 143,281	\$ 4,234	\$ 147,515	\$ 561	\$ 56,750	\$ 57,311

⁽¹⁾ State, fiduciary component units, and discretely presented component units proportion of the collective total OPEB liability as of the measurement date for fiscal years 2020 and 2021 for the State Plan was 100% both years and for the MUS Plan is 94.92% and 95.18%, respectively.

E. Actuarial Methods and Assumptions

The total OPEB liability (TOL) measured under GASB 75 is based upon service cost and more standardized reporting assumptions than prior GASB Statements. As a pay-as-you-go public entity, GASB 75 requires a 20-year current municipal bond discount rate to establish an Actuarially Determined Contribution (ADC). The GASB 75 valuation is further required to show both historical and projected future net changes in TOL, as well as sensitivity to changes in key underlying assumptions. Actuarially determined amounts are subject to continual revisions, meaning actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future.

The schedule of changes in the State's and MUS's TOL and related ratios, presented as required supplementary information following the notes to the financial statements is designed to present multi-year trend information about whether the actuarial value of plan TOL is increasing or decreasing over time relative to the actuarial liabilities for benefits. The schedule of changes in the State's and MUS's TOL and related ratios are based on the substantive plan (the plan as understood by the employer and the plan members). This includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The State's OPEB Plan TOL on December 31, 2020, rolled forward to March 31, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**Other Postemployment Benefits
State Single Employer Plan**

	Retiree/Surviving Spouse	Spouse
Contributions (weighted average):		
Before Medicare eligibility	\$ 15,072	\$ 6,908
After Medicare eligibility	5,484	4,820
Actuarial valuation date	December 31, 2020	
Experience study period	January 1, 2018 through December 31, 2020	
Actuarial measurement date ⁽¹⁾	March 31, 2021	
Actuarial cost method	Entry age normal funding method	
Amortization method	Level percent of payroll, open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	2.23%	
Projected payroll increases	2.50%	
Participation:		
Future retirees	40.00%	
Future eligible spouses	70.00%	
Marital status at retirement	70.00%	

⁽¹⁾ Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Mortality - Healthy: For TRS, healthy mortality is assumed to follow the RP-2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP-2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: For TRS, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

Changes in actuarial assumptions and methods since last measurement date: Changes in assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%

Changes in benefit terms since last measurement date: None

Additional information as of the latest actuarial valuation for MUS OPEB plan follows:

**Other Postemployment Benefits
MUS Single Employer Plan**

	Retiree/Surviving Spouse	Spouse
Contributions (in thousands):		
Before Medicare eligibility	\$ 11,772	\$ 9,637
After Medicare eligibility	4,416	5,205
Actuarial valuation date	December 31, 2020	
Actuarial measurement date ⁽¹⁾	March 31, 2021	
Experience study period	January 1, 2018, through December 31, 2020	
Actuarial cost method	Entry age normal funding method	
Amortization method	Level percent of payroll, open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	2.23%	
Projected payroll increases	2.50%	
Participation:		
Future retirees	40.00%	
Future eligible spouses	70.00%	
Marital status at retirement	70.00%	

⁽¹⁾ Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Mortality - Healthy: For TRS and MUS-RP, healthy mortality is assumed to follow the RP-2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP-2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: For TRS and MUS-RP, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

Changes in actuarial assumptions and methods since last measurement date: Changes in assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%

Changes in benefit terms since last measurement date: Carrier options reduced to one.

Sensitivity of the TOL to changes in the discount rate

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using a discount rate that is 1-percentage-point lower (1.23 percent) or 1-percentage-point higher (3.23 percent) than the current discount rate:

State OPEB plan (in thousands)					
	1.0% Decrease (1.23%)	Current Discount Rate (2.23%)	1.0% Increase (3.23%)		
Primary Government	\$ 180,880	\$ 143,281	\$ 115,098		
Discrete Component Units and Fiduciary Component Units	5,394	4,234	3,360		
Total OPEB liability	\$ 186,274	\$ 147,515	\$ 118,458		
MUS OPEB plan (in thousands)					
	1.0% Decrease (1.23%)	Current Discount Rate (2.23%)	1.0% Increase (3.23%)		
Primary Government	\$ 731	\$ 561	\$ 436		
Discrete Component Units	73,839	56,750	44,195		
Total OPEB liability	\$ 74,570	\$ 57,311	\$ 44,631		

Sensitivity of the TOL to changes in the healthcare cost trend rates

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current healthcare cost trend rates:

State Plan (in thousands)					
	1.0% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1.0% Increase (7.0%)		
Primary Government	\$ 113,213	\$ 143,281	\$ 184,813		
Discrete Component Unit and Fiduciary Component Units	3,293	4,234	5,528		
Total OPEB liability	\$ 116,506	\$ 147,515	\$ 190,341		
MUS Plan (in thousands)					
	1.0% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1.0% Increase (7.0%)		
Primary Government	\$ 434	\$ 561	\$ 737		
Discrete Component Unit	44,022	56,750	74,588		
Total OPEB liability	\$ 44,456	\$ 57,311	\$ 75,325		

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the State OPEB plan's OPEB expense is \$9.4 million and the MUS OPEB plan's OPEB expense is \$3.1 million.

At June 30, 2021, the State OPEB plan deferred outflows and inflows of resources are from the following sources:

	State Plan (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Primary Government</u>		
Difference between expected and actual experience	\$ —	\$ 16,982
Changes of assumptions or other inputs	108,754	14,370
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	29	—
Total	<u>\$ 108,783</u>	<u>\$ 31,352</u>
<u>Discrete Component Units and Fiduciary Component Units</u>		
Difference between expected and actual experience	\$ 395	\$ 165
Changes of assumptions or other inputs	2,904	384
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	21	—
Total	<u>\$ 3,320</u>	<u>\$ 549</u>

At June 30, 2021, MUS OPEB plan deferred outflows and inflows of resources are from the following sources:

	MUS Plan (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Primary Government</u>		
Difference between expected and actual experience	\$ —	\$ 336
Changes of assumptions or other inputs	521	103
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	3	—
Total	<u>\$ 524</u>	<u>\$ 439</u>
<u>Discrete Component Units</u>		
Difference between expected and actual experience	\$ —	\$ 29,206
Changes of assumptions or other inputs	51,079	10,120
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability ⁽¹⁾	197	—
Total	<u>\$ 51,276</u>	<u>\$ 39,326</u>

Deferred outflows of resources and deferred inflows of resources related to TOL will be recognized as OPEB expense as follows:

Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense				
State Plan (in thousands)				
Year ended June 30	Primary Government	Discrete Component Units and Fiduciary Component Units	State Plan Total	
2022	\$ 6,149	\$ 224	\$ 6,373	
2023	6,149	224	6,373	
2024	6,149	224	6,373	
2025	6,149	224	6,373	
2026	6,149	224	6,373	
Thereafter	46,657	1,630	48,287	

Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense				
MUS Plan (in thousands)				
Year ended June 30	Primary Government	Discrete Component Units	MUS Plan Total	
2022	\$ 6	\$ 897	\$ 903	
2023	6	897	903	
2024	6	897	903	
2025	6	897	903	
2026	6	897	903	
Thereafter	52	7,268	7,320	

F. General Information Trust Plan

General Information

Section 19-3-2141, MCA, establishes a long-term disability plan trust fund (PERS-DCRP Disability) for all State of Montana employees that participate in the Public Employee Retirement System-Defined Contribution Retirement Plan (PERS-DCRP). All new PERS members are initially members of the Public Employee Retirement System-Defined Benefit Retirement Plan (PERS-DBRP) and have a 12-month window during which they may choose to transfer to the PERS-DCRP or remain in the PERS-DBRP by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. Only those participants that choose the PERS-DCRP are covered by the PERS-DCRP Disability plan.

Plan Description

The PERS-DCRP Disability is a multiple-employer cost-sharing plan that covers employees of the State, local governments, and certain employees of the university system and school districts, who are not covered by a separate retirement system governed by Title 19, MCA. The PERS-DCRP Disability plan provides disability benefits to PERS-DCRP plan members who are vested in the plan and are currently ineligible for retirement.

A separate trust has been established for purposes of providing disability benefits to PERS-DCRP Disability plan members, and it is accounted for as a fiduciary fund. The assets are held in a trust capacity for the beneficiaries. The Public Employee Retirement System issues publicly available annual reports, which include financial statements and required supplemental information for the plan. Those reports may be obtained online (<http://mpera.mt.gov>) or by contacting the following:

Public Employees' Retirement Board
100 North Park, Suite 200
P.O. Box 200131
Helena, MT 59620-0131

G. Termination Benefits

During the year ended June 30, 2021, the State made the following termination benefit arrangements: continued coverage of group health insurance benefits for one employee provided for up to six months, one-time lump-sum incentive payments for 12 employees, and paid administrative leave for 30 employees.

During the year ended June 30, 2021, component units of the State made the following termination benefit arrangements: continued coverage of health insurance benefits and/or one-time incentive payments for 7 employees.

During the year ended June 30, 2021, the cost of termination benefits for the fiscal year was \$229.5 thousand and \$184.7 thousand for the State and its component units, respectively.

NOTE 8. RISK MANAGEMENT

There are three primary government public entity risk pools and one claims-servicing pool that are reported within the enterprise funds. These pools include Hail Insurance, the Montana University System (MUS) Group Insurance Plan, the MUS Workers Compensation Program, and the Subsequent Injury claims-servicing pool. The State of Montana (Old Fund) provides risk financing as an entity other than a public entity risk pool. The liability and payment of the workers' compensation claims for incidents occurring before July 1, 1990, are reported in the government-wide financial statements within the primary government. Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims, including the effects of inflation and other societal/economic factors. Additionally, the primary government reports its own risk management activity within two internal service funds: Employees Group Benefits Plans and Administration Insurance Plans. In all of these funds, there are no significant reductions in insurance coverage from the prior year. These funds use the accrual basis of accounting. By statute, these funds cannot invest in common stock. Investments are recorded at fair value. Premiums and discounts are amortized using the straight-line method over the life of the securities.

A. Public Entity Risk Pools

(1) Hail Insurance – Any Montana producer engaged in growing crops subject to destruction or damage by hail may participate in the Hail Insurance program. The Hail Insurance program issued 318 policies during the 2021 growing season. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs, and claims paid for hail damage. Depending upon the reserve fund's actuarial soundness and the damage in a season, producers may receive a premium refund. Anticipated investment income is considered in computing a premium deficiency, of which there is none.

A claim must be submitted to the State Board of Hail Insurance within 14 days of a loss occurrence. The claim must indicate whether the grain is stemming, in the boot, heading out, in the milk, in the stiff dough, ready to bind, or combine. If beans, peas, or other crops are damaged, the growth-stage must also be indicated. Inspection of a crop will occur as promptly as possible after claim receipt. The liability on all insured crops expires after October 1. The insurance only covers loss or damage to growing grain that exceeds 5.0% destruction by hail.

To reduce its exposure to large losses, the fund purchased Crop Hail Quota Share Reinsurance for the 2021 growing season, with a 70.0% share of premiums and losses allotted to the Reinsurer and a 30.0% share of each allotted to the State Hail Insurance. The fund recorded a liability of \$76.0 thousand, which is 30.0% of the estimated claims (\$247.1 thousand) plus adjustment expenses through June 30, 2021. The amount deducted from the estimated claims as of June 30, 2021, for reinsurance was \$172.9 thousand (70.0% of estimated claims). The premiums ceded to the Reinsurer through June 30, 2021, were \$499.8 thousand, which was 70.0% of total premiums of \$714.0 thousand.

Any crop insurance liability is paid to the producers within one year of occurrence; therefore, liabilities are not discounted. The fund has no excess insurance or annuity contracts.

(2) Montana University System (MUS) Group Insurance Plan – This plan is authorized by the Board of Regents and in Section 20-25-13, MCA. The Plan's purpose is to provide medical, dental, prescription drug, and related group benefits coverage to employees of the Montana University System and affiliates, and their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured, except for life insurance, long-term care, long-term disability, and accidental death and dismemberment insurance. Delta Dental administers the dental plan, Blue Cross and Blue Shield of Montana administers the vision plan, and Navitus is the administrator for the prescription drug program. Blue Cross and Blue Shield of Montana is the third-party claims administrators for the self-insured managed care plan and also has a contract for utilization management. The utilization management program consists of hospital pre-authorization and medical necessity review, as well as large case management. Premiums are collected from employees through payroll deductions and recorded in the MUS Group Insurance enterprise fund. The claims liability is calculated by Actuaries Northwest and estimated to be \$10.7 million as of June 30,

2021, based on prior year experience. A liability is reported in the accompanying financial statements for these estimated claims.

(3) Montana University System (MUS) Workers' Compensation Program – This plan was formed to provide self-insured workers compensation coverage for MUS employees. The MUS Board of Regents provides workers' compensation coverage under Compensation Plan Number One (Section 39-7-2101, MCA). The program is self-insured for workers' compensation claims with losses in excess of \$750.0 thousand per occurrence (\$500.0 thousand for claims occurring prior to July 1, 2013) and \$1.0 million per aircraft occurrence covered by reinsurance with a commercial carrier. Employer's liability claims are covered to a maximum of \$1.0 million above the self-insured amount of \$750.0 thousand (\$500.0 thousand for claims occurring prior to July 1, 2013). During fiscal year 2021, the program ceded \$344.4 thousand in premiums to reinsurers.

The MUS Workers' Compensation Program Committee establishes premium rates for all participating campuses based on actuarial calculations of premium need and composite premium rate. Premium rates are adjusted periodically based on inflation, claims experience, and other factors. Premiums are recorded as revenue in the MUS Workers' Compensation Program in the period for which coverage is provided. Members may be subject to supplemental assessments in the event of deficiencies. The program considers anticipated investment income in determining if a premium deficiency exists.

The fund recorded a liability of \$5.2 million for estimated claims at June 30, 2021. The liability is based on the estimated ultimate cost of settling the reported and unreported claims, claims reserve development, including the effects of inflation, and other societal and economic factors. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Estimated claims liabilities are recomputed periodically based on a current review of claims information, experience with similar claims, and other factors. Adjustments to estimated claims liabilities are recorded as an increase or decrease in claims expense in the period the adjustments are made.

(4) Subsequent Injury – The purpose of the Subsequent Injury Fund (SIF) is to assist individuals with a permanent impairment that may create an obstacle to employment by limiting workers' compensation exposure for employers who hire SIF-certified individuals. The program is funded through an annual assessment for Montana self-insured employers and a surcharge on premium for private insured and Montana State Fund policyholders.

The Employment Relations Division sets the assessment and surcharge rates annually. The amount assessed is calculated by adding the amount of paid losses reimbursed by SIF from April 1 of the previous calendar year through March 31 of the current calendar year, plus administration expenses, less other income earned. Employers share in the reimbursement in two ways: (1) if self-insured, the reimbursement is based on their share of overall paid losses in the previous calendar year, (2) if insured through a private carrier or Montana State Fund, the reimbursement is based on both overall paid losses in the previous calendar year, and the amount of the employer's premium paid for their business.

The SIF program reduces the liability of the employer (if self-insured) or insurer by placing a limit of 104 weeks on the amount an employer (if self-insured), or the employer's insurer, will have to pay for medical and wage loss benefits in the event a worker who is SIF-certified becomes injured or re-injured on the job. SIF will assume liability for the claim when the 104 weeks is reached. For an insured employer, since the insurer's liability is limited to 104 weeks on the claim, this can favorably impact the employer's modification factor, which in turn could keep premiums lower than would otherwise be the case without SIF. For a self-insured employer, it provides a direct recovery of expenses paid for a workers' compensation claim. If a certified worker does become injured on the job, the worker remains entitled to all benefits due under the Workers' Compensation Act.

An estimated liability is recorded based on a projected cost analysis and total population of registered SIF participants. As of June 30, 2021, this liability amount was estimated to be \$1.7 million.

(5) Changes in Claims Liabilities for the Past Two Years – As indicated above, these funds establish liabilities for both reported and unreported insured events, including estimates of future payments of losses and related claim adjustment expenses. The following tables present changes (in thousands) in those aggregate liabilities during the past two years. All information in these tables is presented at face value and has not been discounted.

	<u>Hail Insurance</u>		<u>MUS Group Insurance Plan</u>		<u>MUS Workers Compensation</u>	
	2021	2020	2021	2020	2021	2020
Unpaid claims and claim adjustment expenses at beginning of year	\$ 11	\$ 17	\$ 10,300	\$ 10,000	\$ 4,837	\$ 6,789
Incurred claims and claim adjustment expenses: provision for insured events of the current year	520	793	97,018	92,564	2,363	1,992
Increase (decrease) in provision for insured events of prior years	12	(5)	—	—	(550)	(2,485)
Total incurred claims and claim adjustment expenses	532	788	97,018	92,564	1,813	(493)
Payments: Claims and claim adjustment expenses attributable to insured events of the current year	(444)	(782)	(96,655)	(92,264)	(376)	(539)
Claims and claim adjustment expenses attributable to insured events of prior years	(23)	(12)	—	—	(1,040)	(920)
Total payments	(467)	(794)	(96,655)	(92,264)	(1,416)	(1,459)
Total unpaid claims and claim adjustment expenses at end of year	\$ 76	\$ 11	\$ 10,663	\$ 10,300	\$ 5,234	\$ 4,837

B. Entities Other Than Pools

(1) Administration Insurance Plans – This self-insurance plan provides coverage for general liability, automobile liability, automobile physical damage, foster care liability, and State-administered foreclosure of housing units. The State self-insures the \$2.0 million deductible per occurrence for most property insurance, as well as various deductible amounts for other State property. The State also self-insures against property losses below \$2.0 million of value, with State agencies paying the first \$1.0 thousand. Commercial property insurance protects approximately \$6.0 billion of State-owned buildings and contents. The State's property insurance includes separate earthquake and flood protection coverage, with deductibles of \$2.0 million for earthquake and \$2.0 million for flood per occurrence. Premiums are collected from all state agencies, including component units, and recorded as revenue in the Administration Insurance Fund.

An annual actuarial study prepared by Willis Towers Watson Company, and issued for the accident period July 1, 2011, through June 30, 2021, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. As of June 30, 2021, the estimated claims liability was \$49.6 million. Of the \$49.6 million estimated claims liability, \$32.4 million is related to a catastrophic property loss for which the insurance proceeds were received prior to the incurred expenses.

(2) Employee Group Benefits Plans – The medical and dental health plans provided by the State are fully self-insured with the State assuming the risk for claims incurred by employees of the State, elected officials, retirees, former employees covered by COBRA benefits, and their dependents. The State contracted with Allegiance as the third-party administrator for medical coverage. Delta Dental is the

administrator for dental coverage. Navitus is the administrator for the pharmacy program. Contributions are collected through payroll deductions, deductions through the Public Employees Retirement Administration, the Legislative Branch, and self-payments. The contributions are recorded as revenue in the Employee Group Benefits internal service fund. As of June 30, 2021, estimates for claims liabilities, which include both incurred but not reported claims and grandfathered claims resulting from a 1998 change in period for which the benefit coverage is available, as well as other actuarially determined liabilities, were \$19.7 million as provided by Actuaries Northwest, a consulting actuarial firm. In fiscal year 2022, \$19.5 million of these claims liabilities are estimated to be paid.

(3) State of Montana (Old Fund) – State of Montana (Old Fund) covers workers' compensation claims that were incurred before July 1, 1990. Old Fund was originally a risk financing insurance entity, but upon depletion of all of its assets, is now financed by the General Fund. The participants within the pool are individuals outside of governmental entities.

An actuarial study prepared by Willis Towers Watson, as of June 30, 2021, estimated the cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. At June 30, 2021, \$43.7 million of unpaid claims and claim adjustment expenses were reported at face value.

(4) Changes in Claims Liabilities for the Past Two Years – These funds establish liabilities for both reported and incurred but not reported claims. Grandfathered claims are not included as they relate to future claims not yet incurred. The following table presents changes in the balances of claims liabilities during the past two fiscal years (in thousands).

	<u>Administration Insurance Plans</u>		<u>Employers Group Benefits Plan</u>		<u>State of Montana Old Fund</u>	
	2021	2020	2021	2020	2021	2020
Amount of claims liabilities at the beginning of each fiscal year	\$ 17,431	\$ 16,157	\$ 18,982	\$ 18,896	\$ 48,280	\$ 44,266
Incurred claims:						
Provision for insured events of the current year	5,555	7,091	181,363	170,812	—	—
Increase (decrease) in provision for insured events of prior years	6,867	1,120	(3,267)	(4,377)	1,769	12,616
Total incurred claims	12,422	8,211	178,096	166,435	1,769	12,616
Payments:						
Claims attributable to insured events of the current year	(1,574)	(3,063)	(161,870)	(151,950)	—	—
Claims attributable to insured events of prior years	(11,133)	(3,874)	(15,543)	(14,399)	(6,345)	(8,602)
Total payments	(12,707)	(6,937)	(177,413)	(166,349)	(6,345)	(8,602)
Total claims liability at end of each fiscal year	\$ 17,146	\$ 17,431	\$ 19,665	\$ 18,982	\$ 43,704	\$ 48,280

⁽¹⁾ \$32.4 million of additional claims for the Administration Insurance Plans not included in the table above, are related to a catastrophic property loss for which the insurance proceeds were received prior to the incurred expenses.

NOTE 9. COMMITMENTS**A. Highway Construction**

At June 30, 2021, the Department of Transportation had contractual commitments of approximately \$463.2 million for construction of various highway projects. Funding for these highway projects is to be provided by federal grants and matched with state special revenue funds.

B. Capital Assets and/or Other Construction

At June 30, 2021, the Department of Administration, Architecture & Engineering Division, had commitments of approximately \$31.7 million for capital projects construction. The primary government will fund \$17.4 million of these projects, with the remaining \$14.3 million funded by the Montana University System.

At June 30, 2021, the Department of Fish, Wildlife, and Parks had contractual commitments of approximately \$2.1 million for engineering and construction of various capital projects and \$5.9 million to build a new licensing software called Explore Montana. The majority of funding for these commitments will be provided by federal grants and state special revenue funds.

At June 30, 2021, the Department of Labor and Industry had \$1.9 million contractual commitments for Montana State AmeriCorps Programs and a \$4.4 million commitment for information technology contracts. The funding for these programs is to be provided by federal grants and state special revenue funds.

At June 30, 2021, the Office of the Secretary of State had a contractual commitment of approximately \$1.5 million for developing and implementing the ElectMT system to replace the existing statewide Voter Registration and Election Management system (MT Votes). The majority of the funding for this project is to be provided by a federal grant from the U.S. Election Assistance Commission.

At June 30, 2021, the Department of Transportation, had a \$2.0 million contractual commitment for three, 55 passenger coach buses. The funding for this purchase is to be provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding through the Federal Transit Administration. The Department also had contractual commitments of approximately \$8.7 million for development and implementation of various IT projects. Funding for these projects is to be provided by federal grants, matched with state special revenue funds and unrestricted state revenue funds. Included within the department's commitments are \$4.4 million dedicated to the purchase and upgrade of PeopleSoft modules.

C. Loan and Mortgage Commitments

The Montana Board of Investments (BOI) makes firm commitments to fund commercial loans, residential mortgages, and Veterans' Home Loan Mortgages (VHLM) from the Coal Severance Tax Permanent Trust Fund. These commitments have expiration dates and may be extended according to BOI policies. As of June 30, 2021, BOI had committed, but not yet purchased, \$18.1 million in loans from Montana lenders. Additionally, lenders had reserved \$18.7 million for loans as of June 30, 2021. As of June 30, 2021, another \$2.0 million represented lender reservations for the VHLM residential mortgage purchases with no purchase commitments.

The BOI makes reservations to fund mortgages from the State's pension funds. As of June 30, 2021, there were no mortgage reservations. All BOI residential mortgage purchases are processed by the Montana Board of Housing (MBOH). The MBOH does not differentiate between a mortgage reservation and a funding commitment.

The BOI makes firm commitments to fund loans from the INTERCAP loan program. The BOI's outstanding commitments to eligible Montana governments, as of June 30, 2021, totaled \$23.8 million.

D. Bond Commitments

At June 30, 2021, the outstanding tax-exempt bonds distributed by the Facility Finance Authority were issued in the amount of \$8.5 million of which \$1.4 million in principal payments are scheduled to be paid by June 30, 2022. These bonds have been issued to facilities operating treatment and prerelease centers. The Department of Corrections agrees to provide payment on behalf of the contractors for the total principle and interest due regarding these outstanding bonds. These costs are then recovered through the center's monthly billing for inmate room and board.

E. Proprietary Fund Commitments

Budgets are administratively established in the enterprise and internal service funds, excluding depreciation, compensated absences, and bad debt expense. Appropriations may be committed for goods/services that are not received as of fiscal year-end. These executory commitments are included in unrestricted net position in the accompanying financial statements as follows (in thousands):

<u>Enterprise Funds</u>	<u>Amount</u>
Liquor Warehouse	\$ 155
State Lottery Fund	14
Other Enterprise Funds	12
Subtotal - Enterprise funds	<u>\$ 181</u>
 <u>Internal Service Funds</u>	
Prison Industry	\$ 189
Labor Central Services	1,537
Subtotal - Internal Service funds	<u>\$ 1,726</u>

F. Encumbrances

As of June 30, 2021, the State of Montana encumbered expenditures as presented in the table below (in thousands):

	<u>Federal Special Revenue Fund</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>State Special Revenue Fund</u>	<u>Total</u>
Encumbrances	\$ 43,953	\$ 20,387	\$ 78	\$ 90,023	\$ 154,441

NOTE 10. LEASES/INSTALLMENT PURCHASES PAYABLE

The State has entered into various capital and operating leases for land, buildings, equipment, and computer software. Lease contracts are required by law to contain a clause indicating if the continuation of the lease is subject to funding by the Legislature. It is expected, in the normal course of operations, that most of these leases will be replaced by similar leases.

A. Capital Leases/Installment Purchases

Obligations under capital leases/installment purchases at June 30, 2021, were as follows (in thousands):

Fiscal Year Ending June 30:	Governmental Activities	Business-Type Activities
2022	\$ 4,773	\$ 16
2023	3,242	6
2024	2,294	1
2025	1,703	—
2026	1,441	—
2027 - 2031	4,112	—
Total minimum payments	17,565	23
Less: interest	(1,522)	(2)
Present value of minimum payments	<u>\$ 16,043</u>	<u>\$ 21</u>

Assets acquired under capital leases for the primary government by asset class were as follows (in thousands):

Asset Class	
Buildings	\$ 1,596
Equipment	34,654
Less: Accum Depreciation	(13,258)
Net Book Value	<u>\$ 22,992</u>

B. Operating Leases

Primary government rental payments for operating leases in fiscal year 2021 totaled \$28.9 million. Future rental payments under operating leases are as follows (in thousands):

Fiscal Year Ending June 30:	Governmental Activities	Business-Type Activities
2022	\$ 27,584	\$ 665
2023	23,980	617
2024	20,831	616
2025	17,833	586
2026	15,205	581
2027 - 2031	49,127	1,104
2032 - 2036	26,281	747
Thereafter	8,682	487
Total future rental payments	<u>\$ 189,523</u>	<u>\$ 5,403</u>

NOTE 11. STATE SHORT-TERM DEBT AND LONG-TERM LIABILITIES

A. General Information

The State has no constitutional limit on its power to issue obligations or incur debt, other than a provision that no debt may be created to cover deficits incurred because appropriations exceeded anticipated revenues. No State debt shall be created unless authorized by a two-thirds vote of the members of each house of the Legislature or a majority of the electors voting thereon. The Board of Examiners (consisting of the Governor, Secretary of State, and Attorney General) is authorized, pursuant to various enabling acts, to issue bonds and notes of the State.

B. Short-term Debt

The Board of Examiners, upon recommendation of the Department of Administration, may issue notes in anticipation of the receipt of taxes and revenues. Notes may not be issued to refund outstanding notes.

The State issues bond anticipation notes to finance the State Revolving Fund Programs that improve and rehabilitate wastewater and drinking water systems. The following schedule summarizes the activity for the year ended June 30, 2021 (in thousands):

Bond Anticipation Notes	Beginning Balance	Additions	Reductions	Ending Balance
Drinking Water - 2019A	600	—	600	—
Drinking Water – 2019D	1,300	2,100	3,251	149
Water/Wastewater – 2020D	1,100	2,900	4,000	—
Drinking Water - 2020N	—	1,663	—	1,663

The State's Board of Investments (BOI) is authorized to issue Intermediate-Term Capital (INTERCAP) bonds under the Municipal Finance Consolidation Act. These bonds may not aggregate more than \$190.0 million, as amended by the 2007 Legislature. The purpose of the bonds is to provide funds for BOI to make loans to eligible government units. The bonds are not a debt or liability of the State. The bonds are limited obligations of BOI, payable solely from:

1. Repayments of principal and interest on loans made by BOI to participating eligible governmental units.
2. Investment income under the indenture.
3. An irrevocable pledge by BOI.

BOI has no taxing power. At the bondholder's option, the bonds may be redeemed any March 1, before maturity. BOI did not enter into an arms-length financing agreement to convert the bonds "put" or tender and did not resell the bonds into some other form of long-term obligation. Accordingly, these bonds, considered demand bonds, are included in short-term debt.

The Board annually remarkets the bonds and annually adjusts the interest in accordance with the Bonds' Indenture of Trust. Interest is paid semi-annually on September 1 and on March 1. Interest is computed based on a year of 360 days. The interest rate paid to bondholders on September 1, 2020 and March 1, 2021 was 1.00%. The interest rate effective for March 1, 2021 – February 28, 2022 is 0.15%.

In accordance with the Indenture, BOI can issue additional bonds at any time that would bear the interest rate determined at the time of issuance until the next remarketing date. No new bonds were issued in the fiscal year ending June 30.

The INTERCAP program does not have principal payments except in the instance of an optional redemption by BOI. There was a change in outflow in 2021 that occurred primarily due to the optional redemption of outstanding bonds by the Board in the amount of \$70.0 thousand. The bonds are

remarketed each February and are treated as a new issuance. Interest expense attributable to the current year was \$649.8 thousand.

The amounts issued and outstanding for the year ended June 30, 2021, were as follows (in thousands):

Series	Amount		Balance	
	Issued		June 30, 2021	
2003	\$	15,000	\$	14,305
2004		18,500		17,935
2007		15,000		14,615
2010		12,000		11,860
2013		12,000		11,960
2017		20,000		19,925
			\$	90,600

The following schedule summarizes the activity relating to the demand bonds during the year ended June 30, 2021 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Demand bonds	\$ 90,670	\$ —	\$ 70	\$ 90,600

C. Long-term Debt

The full faith, credit, and taxing powers of the State are pledged for the payment of all general obligation debt. Revenue and mortgage bonds are secured by a pledge from the facilities to which they relate and by certain other revenues, fees, and assets of the State and the various colleges and universities. Primary government bonds and notes outstanding at June 30, 2021, were as follows (in thousands):

		Amount	Interest	Principal Payments		Balance
				Fiscal Year	In Year of	
Governmental Activities	Series	Issued	Range (%) ⁽¹⁾	2022	Maturity ⁽²⁾	June 30, 2021
General obligation bonds						
Hard Rock Mining Reclamation	2002C	2,500	3.5-4.7	190	200 (2023)	390
CERCLA Program ⁽³⁾	2005D	2,000	3.25-4.3	120	140 (2026)	650
Energy Conservation Program ⁽⁴⁾	2006B	3,750	4.0-6.0	330	330 (2022)	330
Long-Range Bldg Program	2008D	3,100	3.375-4.35	165	220 (2028)	1,335
Long-Range Bldg Program Refunding	2011D	5,755	3.0-3.25	695	720 (2023)	1,415
Long-Range Bldg Program Refunding	2013C	6,780	2.0-4.0	705	115 (2025)	2,325
Long-Range Bldg Program Refunding	2014	28,810	1.5-5.0	2,195	820 (2028)	15,470
Long-Range Bldg Program	2020C	28,900	2.0-5.0	2,470	3,465 (2030)	26,295
St. Mary Water Project (Taxable) ⁽¹⁰⁾	2020E	2,658	1.62	276	315 (2030)	2,658
2019 Session House Bill 652	2020G	32,505	5.0	2,570	4,030 (2031)	32,505
Long-Range Bldg Program	2020H	5,900	1.75-5.0	210	390 (2041)	5,900
Trust Lands Refunding (Taxable)	2020I	12,510	0.225-1.316	1,245	1,265 (2031)	12,510
Water Pollution Control Revolving Fund Program ⁽⁵⁾	2020J	24,865	0.225-2.456	1,620	305 (2041)	24,865
St. Mary Water Project (Taxable) ⁽¹⁰⁾	2020K	985	1.5	105	115 (2030)	985
Total general obligation bonds		\$161,018		\$ 12,896		\$ 127,633

	Series	Amount Issued	Interest Range (%) ⁽¹⁾	Principal Payments		Balance June 30, 2021
				Fiscal Year 2022	In Year of Maturity ⁽²⁾	
Governmental Activities						
Special revenue bonds						
U.S. Highway 93 GARVEE Refunding ⁽⁷⁾	2016	22,540	0.74-1.86	3,555	3,740 (2023)	7,295
State Hospital Project ⁽⁶⁾	2018	4,575	4.0-5.05	1,165	1,165 (2022)	1,165
Coal Severance Tax Refunding (Taxable) ⁽¹⁰⁾	2020L	11,965	1.62	1,570	55 (2031)	11,170
Coal Severance Tax (Taxable) ⁽¹⁰⁾	2020M	2,680	1.94	230	130 (2031)	2,300
Total special revenue bonds		<u>\$ 41,760</u>		<u>\$ 6,520</u>		<u>\$ 21,930</u>
Notes Payable						
Middle Creek Dam Project ⁽⁸⁾		3,272	8.125	100	226 (2034)	1,759
Tongue River Dam Project ⁽⁹⁾		11,300	—	290	290 (2038)	4,926
ITSD IBM Professional Services		758	0.19	170	72 (2023)	243
Total notes payable		<u>\$ 15,330</u>		<u>\$ 560</u>		<u>\$ 6,928</u>
Subtotal governmental activities, before unamortized balances		218,108		19,976		156,491
Unamortized premium						14,846
Total governmental activities		<u>\$218,108</u>		<u>\$ 19,976</u>		<u>\$ 171,337</u>

⁽¹⁾ The interest range is over the life of the obligation.

⁽²⁾ Year of maturity refers to fiscal year.

⁽³⁾ The CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act) Program Bonds were issued for the purpose of financing the costs of State of Montana participation in the remedial actions under Section 104 of the CERCLA 42 United States Code Sections 9601-9657, and State of Montana costs for maintenance of sites under CERCLA. The CERCLA Bonds are secured additionally by a pledge of monies received by the State as cost recovery payments and revenues derived from the resource indemnity and groundwater assessment tax in the event cost recovery payments are insufficient.

⁽⁴⁾ Bonds issued for financing the design, construction, and installation of energy conservation projects at various state buildings.

⁽⁵⁾ Bonds were issued to refund the State's General Obligation Bonds (Water Pollution Control State Revolving Fund Program), Series 2015C, maturing on and after July 15, 2021; provide matching funds to enable the State to obtain capitalization grants from the U.S. Environmental Protection Agency for water pollution control facilities or other authorized improvements, to state political subdivisions; and pay costs of issuance of the Series 2020J Bonds and of the refunding.

⁽⁶⁾ Facility Finance Authority loan to the Department of Public Health and Human Services for the Montana State Hospital Project.

⁽⁷⁾ The U.S. Highway 93 GARVEES (Grant Anticipation Revenue Vehicles) Bonds were issued for the purpose of improving a 44.8-mile stretch of U.S. Highway 93. Repayment of the bonds is secured by a pledge of certain federal aid revenues.

⁽⁸⁾ U.S. Bureau of Reclamation loan to the Department of Natural Resources & Conservation.

⁽⁹⁾ Northern Cheyenne Tribe loan to the Department of Natural Resources & Conservation. The loan will not accrue interest and will be repaid over 39 years. Loan repayment is secured by the issuance of a coal severance tax bond to the tribe.

⁽¹⁰⁾ Bonds were private sales.

D. Debt Service Requirements

Primary government debt service requirements at June 30, 2021, were as follows (in thousands):

Year Ended June 30:	Governmental Activities					
	General Obligation Bonds		Special Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 12,896	\$ 4,161	\$ 6,520	\$ 618	\$ 560	\$ 45
2023	12,911	3,693	5,565	375	466	41
2024	12,396	3,277	1,850	158	398	41
2025	12,115	2,867	1,885	127	403	41
2026	12,410	2,453	1,635	96	408	41
2027 - 2031	52,240	5,993	4,475	156	2,125	204
2032 - 2036	9,335	921	—	—	1,988	122
2037 - 2041	3,330	188	—	—	580	—
Total	<u>\$ 127,633</u>	<u>\$ 23,553</u>	<u>\$ 21,930</u>	<u>\$ 1,530</u>	<u>\$ 6,928</u>	<u>\$ 535</u>

E. Summary of Changes in Long-term Liabilities

Primary government long-term liability activities for the year ended June 30, 2021, were as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
Governmental activities						
Bonds/notes payable						
General obligation bonds	\$ 90,250	\$ 79,423	\$ 42,040	\$ 127,633	\$ 12,896	\$ 114,737
Special revenue bonds	19,330	14,645	12,045	21,930	6,520	15,410
Notes payable	7,478	—	550	6,928	560	6,368
	117,058	94,068	54,635	156,491	19,976	136,515
Unamortized premium	10,348	4,498	—	14,846	—	14,846
Total bonds/notes payable ⁽³⁾	127,406	98,566	54,635	171,337	19,976	151,361
Other liabilities						
Lease/installment purchase payable	20,617	1,381	5,955	16,043	4,344	11,699
Compensated absences payable ⁽¹⁾	109,293	53,778	47,716	115,355	47,641	67,714
Estimated insurance claims ⁽¹⁾⁽²⁾	121,098	190,517	198,674	112,941	39,989	72,952
Pollution remediation	173,492	806	6,783	167,515	21,303	146,212
Net pension liability	2,243,084	700,884	183	2,943,785	—	2,943,785
Total OPEB liability	45,593	95,801	—	141,394	—	141,394
Total other liabilities	2,713,177	1,043,167	259,311	3,497,033	113,277	3,383,756
Total governmental activities long-term liabilities	\$ 2,840,583	\$ 1,141,733	\$ 313,946	\$ 3,668,370	\$ 133,253	\$ 3,535,117
Business-type activities						
Lease/installment purchase payable	\$ 26	\$ 5	\$ 10	\$ 21	\$ 14	\$ 7
Compensated absences payable	2,217	879	797	2,299	795	1,504
Arbitrage rebate tax payable	22	—	22	—	—	—
Estimated insurance claims	17,523	99,363	99,202	17,684	13,804	3,880
Net pension liability	11,510	3,848	68	15,290	—	15,290
Total OPEB liability	817	1,641	8	2,450	—	2,450
Total business-type activities long-term liabilities	\$ 32,115	\$ 105,736	\$ 100,107	\$ 37,744	\$ 14,613	\$ 23,131

⁽¹⁾ The compensated absences liability attributable to the governmental activities will be liquidated by several of the governmental and internal service funds. The Employee Group Benefits and Administration Insurance internal service funds will liquidate the estimated insurance claims liability.

⁽²⁾ \$32.4 million Administration Insurance Plans included in the table above, are related to a catastrophic property loss for which the insurance proceeds were received prior to the incurred expenses.

⁽³⁾ Deferred outflows, including those related to bonds payable, are reported separately on the Statement of Net Position based on GASB Statement No. 65.

F. Refunded and Early Retired Debt

Prepayments

The Department of Natural Resources and Conservation (DNRC) used current available resources to make a prepayment of special revenue bond series 2020M in the amount of \$270.0 thousand, resulting in the reduction of the outstanding balance.

Refundings

On September 29, 2020, the State issued general obligation refunding bonds series 2020I in the amount of \$12.5 million to prepay series 2010F bonds in the amount of \$12.3 million resulting in a payoff. The balance of the proceeds was used to pay the cost of issuance of 2020I. The refunding resulted in an economic gain of \$2.2 million and a difference in cash flows of \$2.2 million.

On October 20, 2020, the State issued general obligation bonds series 2020J in the amount of \$24.9 million. New bond issuances consisted of \$5.0 million, while \$19.8 million was to prepay series 2015C resulting in a payoff. The refunding resulted in an economic gain of \$1.5 million and a difference in cash flows of \$4.8 million.

On December 23, 2020, the State issued special revenue refunding bonds series 2020L in the amount of \$12.0 million, using \$4.3 million of the proceeds to refund series 2010C and 2013B, resulting in payoffs. This refunding resulted in an economic gain of \$548.0 thousand and a difference in cash flows of \$747.6 thousand.

G. No-Commitment Debt

Information is presented below for financing authorities participating in debt issues. The related debt issued does not constitute a debt, liability, obligation, or pledge of faith and credit of the State. Accordingly, these bonds and notes are not reflected on the accompanying financial statements.

Montana Board of Investments (BOI)

BOI is authorized to issue Qualified Zone Academy Bonds (QZAB) under the Municipal Finance Consolidation Act as conduit (no-commitment) debt. The revenues, and in some cases, the taxing power of the borrower, are pledged to repay the bonds. At June 30, 2021, QZAB debt outstanding aggregated \$5.0 million.

BOI is also authorized to issue Qualified School Construction Bonds (QSCB) under the Municipal Finance Consolidation Act as conduit (no-commitment) debt. The revenues of the borrower are pledged to repay the bonds. At June 30, 2021, QSCB debt outstanding aggregated \$3.2 million.

H. Estimated Pollution Remediation Obligation

Estimated pollution remediation obligations are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The estimates are derived using the expected cash flows method as well as technical estimates from record of decisions, consent decrees, and/or settlement agreements. There may be factors influencing the estimates that are not known at this time. Prospective recoveries from other responsible parties may reduce the State's obligation.

The State's estimated pollution remediation liability as of June 30, 2021, was \$167.5 million. Of this liability, \$3.7 million resulted in settlement agreements to provide restoration of natural resources, water supplies, and natural resource-based recreational opportunities up to the settlement amount; \$163.8 million is based on decrees or settlements for remediation activities. Other estimated liabilities have been recorded for soil and Polychlorinated Biphenyls (PCB) contamination, as well as removal of asbestos contamination. The estimated pollution remediation liability was recorded in compliance with accounting and reporting standards and does not constitute the State's total acceptance of the liability or responsibility on these matters.

I. Non-Exchange Financial Guarantee

BOI provides loan guarantees from the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled \$100.2 million as of June 30, 2021. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute, which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI receives a credit enhancement fee at FFA bond closing based on the term of the financing, the type of bond, the rating of the borrower, and the type of reserve fund. BOI and FFA have entered into an agreement detailing repayment to BOI. The credit enhancement fee received during the fiscal year was \$385.0 thousand. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2021 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
\$ 88,346	\$ 33,465	\$ 21,563	\$ 100,248

NOTE 12. INTERFUND BALANCES AND TRANSFERS**A. Balances Due From/To Other Funds**

Balances due from/to other funds arise when there is a timing difference between the dates that reimbursable expenditures and interfund services provided/used are recorded in the accounting system and the dates on which payments are made. Balances also arise when there is a timing difference between the dates transfers between funds are recorded and the dates on which payments are made. Balances due from/to other funds also include the current portion of balances related to amounts loaned by the Municipal Finance Programs to other funds, under the Board of Investments' INTERCAP loan program. Balances due from/to other funds are expected to be repaid within one year from origination.

Balances due from/to other funds at June 30, 2021, consisted of the following (in thousands):

	Due to Other Funds							Total
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Enterprise Funds ⁽²⁾	Nonmajor Governmental Funds	State Special Revenue	
Due from Other Funds								
Federal Special Revenue	\$ —	\$ —	\$ 2,040	\$ —	\$ —	\$ —	\$ 249	\$ 2,289
General Fund	—	8,844	—	—	14,386	—	11,355	34,585
Internal Service Funds	40	1	—	—	—	—	2	43
Municipal Finance Programs	—	—	—	2,076	—	1,654	—	3,730
Nonmajor Enterprise Funds	—	—	—	—	—	—	38	38
Nonmajor Governmental Funds	—	4,155	29	—	—	—	751	4,935
State Special Revenue ⁽¹⁾	4,340	627	464	—	280	754	—	6,465
Total	\$ 4,380	\$ 13,627	\$ 2,533	\$ 2,076	\$ 14,666	\$ 2,408	\$ 12,395	\$ 52,085

⁽¹⁾ Total due from other funds to the state special revenue fund on the fund financial statement is reported as \$16.2 million. The difference of \$9.8 million between the amount reported above and the amount reported in the fund financial statement relates to long-term receivables. The receivables are reported on the fund financial statement, and the long-term liabilities are reported on the government-wide statement.

⁽²⁾ Total due to other funds from the nonmajor enterprise funds on the fund financial statement is reported as \$14.9 million. The difference of \$221.0 thousand between the amount reported above and the amount reported on the fund financial statement relates to loans payable. The receivables are reported on the government-wide statement, and the liabilities are reported on the fund financial statement.

B. Interfund Loans Receivable/Payable

Montana statutes include a provision for interfund loans when the expenditure of an appropriation is necessary, and the cash balance in the account from which the appropriation was made is insufficient to pay the expenditure. Interfund loans receivable/payable are expected to be repaid within one year from the date of origination.

Interfund loans receivable/payable at June 30, 2021, consisted of the following (in thousands):

	Interfund Loans Payable							Total
	Coal Severance Tax	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	State Special Revenue	Land Grant	
Interfund Loans Receivable								
General Fund	\$ 1,593	\$ 87,928	\$ 662	\$ 335	\$ 2,700	\$ 4,921	\$ —	\$ 98,139
Nonmajor Enterprise Funds	—	140	—	—	—	75	—	215
Federal Special Revenue	—	—	—	—	—	5	—	5
State Special Revenue	—	78,309	26	—	—	—	2	78,337
Total	<u>\$ 1,593</u>	<u>\$ 166,377</u>	<u>\$ 688</u>	<u>\$ 335</u>	<u>\$ 2,700</u>	<u>\$ 5,001</u>	<u>\$ 2</u>	<u>\$ 176,696</u>

C. Advances To/From Other Funds

Advances to/from other funds represent the portion of interfund loans that are not expected to be repaid within one year from the date of origination. Advances to/from other funds also include the noncurrent portion of balances related to amounts loaned by the Municipal Finance Programs to other funds, under the Board of Investments' INTERCAP loan program. For more information on the INTERCAP loan program, refer to Note 11.

Advances to/from other funds at June 30, 2021, consisted of the following (in thousands):

	Advances from Other Funds					Total
	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue		
Advances to Other Funds						
General Fund	\$ 355	\$ —	\$ —	\$ —		355
Municipal Finance Programs	—	7,027	162	—		7,189
Nonmajor Governmental Funds	—	—	—	5,328		5,328
State Special Revenue	36,524	—	1,599	—		38,123
Total	<u>\$ 36,879</u>	<u>\$ 7,027</u>	<u>\$ 1,761</u>	<u>\$ 5,328</u>		<u>\$ 50,995</u>

Additional detail for certain advance balances at June 30, 2021, follows (in thousands):

Advances from the Municipal Finance Programs under the INTERCAP Loan Program	
Departmental Function	Balance
Natural Resources and Conservation	\$ 1,465
Public Safety	309
Transportation	5,415
Total	<u>\$ 7,189</u>

D. Interfund Transfers

Routine transfers between funds are recorded to (1) transfer revenues from the fund legally required to receive the revenue to the fund authorized to expend the revenue, (2) transfer resources from the General Fund and special revenue funds to debt service funds to support principal and interest payments,

(3) transfer resources from enterprise funds to the General Fund to finance general government expenditures, and (4) provide operating subsidies.

Interfund transfers for the year ended June 30, 2021, consisted of the following (in thousands):

	Transfers Out								
	Coal Severance Tax	Federal Special Revenue	General Fund ⁽¹⁾	Internal Service Funds ⁽²⁾	Land Grant	Nonmajor Enterprise Funds ⁽³⁾	Nonmajor Governmental Funds	State Special Revenue	Total
Transfers In									
Coal Severance Tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 167	\$ —	\$ 167
Federal Special Revenue	—	—	2	—	—	—	—	2,057	2,059
General Fund ⁽¹⁾	15,967	147	—	—	6	54,087	—	14,879	85,086
Internal Service Funds	—	—	1,213	—	—	—	—	807	2,020
Land Grant	—	—	—	—	—	—	—	94	94
Nonmajor Enterprise Funds	—	—	—	—	—	—	—	26	26
Nonmajor Governmental Funds	471	16,290	246,538	160	1,570	—	735	54,195	319,959
State Special Revenue	16,772	9,164	83,240	86	65,264	10,633	27,042	—	212,201
Unemployment Insurance	—	203,571	—	—	—	—	—	—	203,571
Total	\$ 33,210	\$ 229,172	\$330,993	\$ 246	\$66,840	\$ 64,720	\$ 27,944	\$ 72,058	\$825,183

⁽¹⁾ \$1.1 million was transferred from the General Fund to the Budget Stabilization Reserve Fund; however, those funds are combined for reporting purposes. Therefore the transfer is not accounted for in the above table as both the transfer-in and the respective transfer-out have been eliminated as required for proper financial reporting.

⁽²⁾ Total transfers-out for internal service funds on the fund financial statements is reported as \$5.1 million. The difference of \$4.8 million between the amount reported above of \$246.5 thousand and the amount reported on the fund financial statements relates to the transfer of capital assets between a governmental fund type and the internal service fund type. When capital assets are transferred between these fund types, the transferring fund reports the net book value of the capital asset as a transfer-out, and the receiving fund reports the net book value of the capital asset as a capital contribution.

⁽³⁾ Total transfers-out for nonmajor enterprise funds on the fund financial statements is reported as \$64.8 million. The difference of \$67.8 thousand between the amount reported above of \$64.7 million and the amount reported on the fund financial statements relates to the transfer of capital assets between a governmental fund type and the nonmajor enterprise fund type. When capital assets are transferred between these fund types, the transferring fund reports the net book value of the capital asset as a transfer-out, and the receiving fund reports the net book value of the capital asset as a capital contribution.

NOTE 13. FUND EQUITY DEFICITS

The following funds have a deficit net position remaining at June 30, 2021, as follows (in thousands):

Fund Type/Fund	Deficit
Governmental Funds	
Federal Special Revenue ⁽²⁾	\$ (11,321)
Federal/Private Construction Grants ⁽³⁾	(1,012)
Internal Service Funds ⁽¹⁾	
Information Tech Services	\$ (15,267)
Building and Grounds	(1,010)
Admin Central Services	(1,841)
Labor Central Services	(6,763)
Commerce Central Services	(1,559)
OPI Central Services	(2,257)
DEQ Indirect Cost Pool	(3,730)
Payroll Processing	(1,509)
Investment Division	(2,080)
Aircraft Operation	(552)
Justice Legal Services	(977)
Personnel Training	(173)
Other Internal Services	(244)
SABHRS Finance & Budget Bureau	(535)
Enterprise Fund ⁽¹⁾	
State Lottery	\$ (2,219)
Subsequent Injury	(791)

⁽¹⁾ The allocation of net pension liability and total OPEB liability is a significant factor in creating these deficits. For more detail related to these liabilities, see Notes 6 and 7, respectively.

⁽²⁾ Delayed fire season federally reimbursable costs, which are currently reported as unavailable revenues within deferred inflow of resources, is a significant factor creating this deficit.

⁽³⁾ A nonmajor capital projects fund.

NOTE 14. MAJOR PURPOSE PRESENTATION

Special Revenue and Fund Balances Classifications by Purpose – In the governmental fund financial statements, classifications of special revenue fund revenues and fund balances are presented in the aggregate. The tables presented below further display the special revenue fund revenues and fund balances by major purpose for the year ending June 30, 2021.

State Special Revenue By Source (in thousands)							
	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Licenses/permits	\$ 122,053	\$ 51,533	\$ 25,824	\$ 2,514	\$ 165	\$ 96,946	\$ 299,035
Taxes	231,006	6,313	274,431	—	—	19,114	530,864
Charges for services	27,193	20,953	9,183	58,004	3,179	32,857	151,369
Investment earnings	368	2,292	82	86	302	6,614	9,744
Securities lending income	—	17	—	—	2	28	47
Sale of documents/ merchandise/property	530	4,237	118	52	1	4,123	9,061
Rentals/leases/royalties	256	17	667	48	5	261	1,254
Contributions/premiums	29,602	10	—	4,871	—	609	35,092
Grants/contracts/donations	1,303	2,845	590	3,693	2,311	4,728	15,470
Federal	3,479	—	—	5,504	3	10	8,996
Federal indirect cost recoveries	1	—	51,830	47	—	4,671	56,549
Other revenues	1,814	543	257	358	84	707	3,763
Transfers in	42,103	8,801	1,683	16,113	1,958	141,543	212,201
Total State Special Revenue	\$ 459,708	\$ 97,561	\$ 364,665	\$ 91,290	\$ 8,010	\$ 312,211	\$ 1,333,445

Federal Special Revenue By Source (in thousands)							
	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Charges for services	\$ 852	\$ 59	\$ —	\$ 6,805	\$ 209	\$ —	\$ 7,925
Investment earnings	544	7	—	—	5	16	572
Grants/contracts/donations	—	—	—	9	35	—	44
Federal	1,428,286	18,183	535,970	2,363,474	249,852	96,493	4,692,258
Federal indirect cost recoveries	—	—	—	96,740	113	1,354	98,207
Other revenues	—	6	—	1,326	1	2	1,335
Transfers in	2	1,591	—	466	—	—	2,059
Total Federal Special Revenue	\$ 1,429,684	\$ 19,846	\$ 535,970	\$ 2,468,820	\$ 250,215	\$ 97,865	\$ 4,802,400

Governmental Fund Balance By Function, June 30, 2021
(in thousands)

	<u>Special Revenue</u>			<u>Permanent</u>			
	<u>General</u>	<u>State</u>	<u>Federal</u>	<u>Coal Severance Tax</u>	<u>Land Grant</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balances:							
Nonspendable							
Inventory	\$ 4,087	\$ 21,669	\$ —	\$ —	\$ —	\$ —	\$ 25,756
Permanent fund principal	—	500	—	664,992	871,681	414,009	1,951,182
Long-term notes/receivables	355	—	—	—	—	—	355
Prepaid expense	729	461	151	—	—	—	1,341
Total nonspendable	5,171	22,630	151	664,992	871,681	414,009	1,978,634
Restricted							
General government	—	30,253	—	—	—	22,941	53,194
Public safety	—	179,901	—	—	—	1	179,902
Transportation	—	152,946	—	—	—	—	152,946
Health and human services	—	24,414	—	—	—	673	25,087
Education	—	15,029	—	—	—	13	15,042
Natural resources	—	794,536	—	—	—	10,601	805,137
Total restricted	—	1,197,079	—	—	—	34,229	1,231,308
Committed							
General government	114,199	162,803	—	564,068	—	262,669	1,103,739
Public safety	—	71,674	—	—	—	—	71,674
Transportation	—	21,450	—	—	—	—	21,450
Health and human services	—	69,725	—	—	—	12	69,737
Education	—	26,216	—	—	—	—	26,216
Natural resources	—	405,668	—	—	—	30,877	436,545
Total committed	114,199	757,536	—	564,068	—	293,558	1,729,361
Assigned							
General government	—	1,121	—	—	—	66	1,187
Public safety	—	—	—	—	—	185	185
Health and human service	—	772	—	—	—	—	772
Education	—	20	—	—	—	—	20
Natural resources	—	40	—	—	—	—	40
General Fund spend down	75,000	—	—	—	—	—	75,000
Encumbrance	20,387	—	—	—	—	—	20,387
Total assigned	95,387	1,953	—	—	—	251	97,591
Unassigned	641,543	—	(11,472)	—	—	(1,012)	629,059
Total fund balance	\$ 856,300	\$ 1,979,198	\$ (11,321)	\$ 1,229,060	\$ 871,681	\$ 741,035	\$ 5,665,953

NOTE 15. RELATED PARTY TRANSACTIONS

The Montana School for the Deaf and Blind is associated with a foundation, which is a nonprofit organization outside of state government. The school's foundation is governed by a board of directors that annually approves a budget for the financial support to be provided to the school. This budget defines the allowable expense categories for the year. A school employee is the person approving the expenses to be paid by the foundation based on its budget. The employee submits the approved invoices to the foundation's bookkeeper, who then prepares the checks and submits them to a board member who reviews backup documentation and signs the checks.

The Department of Labor and Industry Workforce Services Division rents space in Libby, MT from Mineral Plaza, LLC, in which one of the owners is a local job service manager. The term of the lease is July 1, 2013, and ending June 30, 2022. The annual lease amount is currently set at \$21.3 thousand.

The Department of Labor and Industry Workforce Services Division rents space in Cut Bank, MT from Glacier Community Health Center, Inc., in which one of the active board members is a local job service manager. The term of the lease is July 1, 2019, and ending June 30, 2022. The annual lease amount is currently set at \$35.0 thousand.

The relative of a member of Montana Department of Transportation's (MDT) management team is part owner of a business that holds a State term contract for supplies. A term contract is a contract in which a source for supplies is established for a specific period of time at a predetermined unit price. The term contracts are issued by the State Procurement Bureau of the Department of Administration (DOA) and state agencies are required to use the DOA issued term contracts for such supplies. MDT purchased supplies from this business in the amount of \$98.4 thousand for the fiscal year ended June 30, 2021.

A relative of a member of MDT's Management Team is part owner of a business which has been granted the right by the local airport to operate and provide related services. There is only one such operator at this airport. Given this exclusivity, MDT had transactions with this business. MDT purchased services in the amount of \$100.9 thousand for the fiscal year ended June 30, 2021.

Per Section 85-1-617 and 85-1-624, MCA, Renewable Resource Grant and Loan Program, the Department of Natural Resources and Conservation (DNRC) is eligible to issue General Obligation (GO) bonds for the purpose of making private sale loans. DNRC has applied and received "recycled loan funds" from the State Revolving Fund (SRF) program for the non-point source private loan program. The loans are GO private sale bonds. The balances for loans in repayment for fiscal year 2021 was \$1.6 million. The loans have interest rates of 2.5% and are repaid over 15 years. These loans are presented as Advances to Other Funds on the balance sheets.

Per Administrative Rules of Montana 17.58.101, the Montana Petroleum Tank Release Compensation Board (Board) is an independent board that is attached to Department of Environmental Quality (DEQ) for administrative purposes only. Board members are required to follow Montana's code of ethics, which includes recusing oneself in matters related to a conflict of interest. DEQ is required to go through a competitive bidding process to ensure this State law is followed. Four Board members were identified as having related party transactions with DEQ. These relationships include members who are: 1) an employee of a company that had a release and is receiving funds; 2) an agent for an insurer that covered a station tank release and is receiving funds; 3) an officer in a bank that receives funds; and 4) a contractor for DEQ, that is responsible for clean-up oversight, and is also a shareholder of a separate company that receives funds. A DEQ employee's spouse is an elected City Commissioner for the City of Helena which was awarded \$25.5 thousand in VW Settlement funds for three electric charging stations by DEQ. Total payments to all related parties were direct payments to the contractors in the amount of \$312.6 thousand and indirect payments to the bank and the insurance company in the amount of \$402.0 thousand and \$42.1 thousand, respectively, for the fiscal year ended June 30, 2021.

All lotteries that offer multi-state games transact with the Multi-State Lottery Association (MUSL), which requires the lottery directors from each of the states to be on the MUSL board of directors. The former

Director of the Montana Lottery was on the MUSL board until January 1, 2021, and served as the Secretary of its board of directors. As such, the former Director of the Montana Lottery was in a management position for both MUSL and the Montana Lottery, which have significant transactions between each other. The Montana Lottery has prize reserves with MUSL in the amounts of \$1.1 million for the fiscal year ended June 30, 2021. The prize reserve monies are assets of the Montana Lottery and would be returned if the Montana Lottery were to quit any of the multi-state games. Weekly, MUSL collects each state's share of prize expenses to go towards respective jackpots. If a state has a large enough prize amount or number of winners for any particular draw, MUSL would then reimburse any state for the excess prize payments. The Montana Lottery paid MUSL \$7.7 million for its share of prizes and received reimbursements for prizes in the amount of \$750.0 thousand for the fiscal year ended June 30, 2021.

There are campus-affiliated foundations within the Montana University System (MUS) identified in the Montana Board of Regents of Higher Education Policy 901.9 – Campus-Affiliated Foundations; Montana University System Foundation. The private foundations affiliated with campuses of the MUS provide support to their respective campuses, consistent with the mission and priorities of such campuses. Transactions occur between the Commissioner of Higher Education and said foundations as reimbursements for hosting MUS constituents and other related events and gatherings. These transactions do not affect the financial statements in any way; however, the total such transactions were \$1.7 thousand for the fiscal year ended June 30, 2021.

In addition, the MUS Group Insurance Program offers insurance coverage and receives insurance premiums from other related parties such as the campus-affiliated foundations and the community colleges. This premium revenue for campus-affiliated foundations and community colleges approximately amounts to \$6.7 million for the fiscal year ended June 30, 2021. Beginning January 1, 2022, campus-affiliated foundations will cease to be covered by the MUS Group Insurance Program.

Montana Higher Education Student Assistance Corporation (MHESAC) has no employees, and the Student Assistance Foundation (SAF) manages its business operations. A Board of Regents board member is also an MHESAC Board of Directors member, an Office of the Commissioner of Higher Education OCHE staff member is an MHESAC officer, and the Commissioner of Higher Education is an Ex-officio member of the board.

NOTE 16. CONTINGENCIES

Litigation

The State is party to legal proceedings, which normally occur in government operations. The legal proceedings are not, in the opinion of the State's legal counsel and the Department of Administration, likely to have a material adverse impact on the State's financial position, except where listed below.

PPL v. Montana involves ownership of sections of riverbed on the Missouri, Clark Fork, and Madison rivers. The case originated in 2003, when a group of parents of school-age children sued Petitioner PPL Montana, LLC (PPL), in Federal Court, alleging that the company must pay rent for the use of state-owned riverbeds to generate hydroelectric power. After the Federal Court dismissed the case for lack of jurisdiction, PPL filed an action in state district court seeking a declaration that the state could not charge them rent for the use of the riverbeds at issue. The State intervened in the case and counterclaimed for a declaration that PPL and its co-plaintiffs unlawfully occupied state lands and must compensate the State Land Trust on behalf of its public beneficiaries for the use of those lands. The legal test for ownership of the riverbeds is whether the rivers at issue were navigable at the time of statehood. Based upon the historical record, the District Court granted the State summary judgment on the question of navigability, and the case proceeded to trial on the issue of compensation for the use of trust lands. In June of 2008, the Court issued its ruling and ordered that PPL owed the State almost \$41.0 million for past use of the riverbeds.

PPL appealed the decision to the Montana Supreme Court. The case was briefed and argued before the Court. In March of 2010, the Montana Supreme Court issued a decision upholding the district court's finding of navigability and determination of compensation.

PPL appealed the case to the United States Supreme Court. The case was briefed and argued, and in February of 2012, the Court reversed the Montana Supreme Court's decision. The United States Supreme Court concluded that the Montana courts had applied an incorrect legal standard for determining a river's navigability. The Court clarified that navigability had to be determined on a segment-by-segment basis. The Court remanded the case for further proceedings, and the case currently is pending in the Montana First Judicial District, Lewis and Clark County, Judge Michael McMahon presiding. The cause number is CDV 2004-846. Additional detail is provided below as the case has been remanded to the United States District Court, District of Montana, Helena Division.

The most obvious impact of the Supreme Court's decision is that the State is no longer entitled to the \$41.0 million judgment. The monetary amount that the State may be entitled to depends on the navigability of the rivers, which will have to be determined under the Supreme Court's segment-by-segment approach. Going forward, the litigation will focus on applying the Supreme Court's segmentation approach to determine the navigable reaches of the Madison, Clark Fork, and Missouri Rivers. At this stage, it is difficult to predict an outcome of this litigation.

A less obvious financial impact is the bill of costs that PPL submitted to the district court following the remand. PPL requested that the district court tax the State of Montana with \$1.2 million for PPL's costs relating to the appellate proceedings. All, but approximately \$31.0 thousand, relate to premiums that PPL paid for a supersedeas bond in support of staying the \$41.0 million judgment. In May 2012, the State filed its response to PPL's bill of costs and agreed to costs for \$31.3 thousand. However, the State moved the court to deny PPL's request for costs related to the supersedeas bond. The parties stipulated to hold this issue in abeyance until the court rules on all remaining matters in the case. Counsel for the State has agreed to release the supersedeas bond. In the opinion of counsel, there are good legal arguments that support the State's position that it should not be required to pay the supersedeas bond premiums; however, legal and procedural uncertainties exist that make an adverse determination reasonably possible.

This case, now known as State of Montana v. Talen Montana, LLC et al. (Cause No. CV 16-35-H-DLC-JCL), was scheduled for a bench trial without a jury from January 3 through January 19, 2022. No decision was made by the Judge. Rather, the parties are required to submit amended proposed findings

of fact and conclusions of law by mid-April 2022. Thereafter the Court will render a decision, probably no earlier than July 2022. All Defendants have answered the State's amended complaint, including the recently added Defendant United States. The State's expert witnesses have been disclosed and Defendants' expert witnesses were required to be disclosed in February 2021. Discovery closed May 21, 2021. The State's claims against the utilities remain unchanged and the State still holds the opinion that no further potential liability to the State is expected relative to this action and no additional updates are necessary in regard to the outstanding litigation.

Diaz et al. v. Blue Cross and Blue Shield of Montana et al. (Diaz) was a lawsuit filed in the Montana First Judicial District Court, Lewis and Clark County, Cause No. BVD-2008-956, in October 2008, by plaintiffs Jeanette Diaz, Leah Hoffman-Bernhardt, and Rachel Laudon, individually, and on behalf of others similarly situated, naming Blue Cross and Blue Shield of Montana (BCBS), New West Health Services (New West), Montana Comprehensive Health Association, and the State of Montana (State) as defendants. The complaint alleges that the defendants have violated the made-whole laws of Montana and illegally given themselves subrogation rights.

On June 12, 2009, the Plaintiffs filed with the District Court a motion for class certification. The District Court Judge denied the Plaintiffs' motion for class certification on December 16, 2009. The Plaintiffs appealed this decision to the Montana Supreme Court. As part of the review of the underlying decision denying class certification, the Montana Supreme Court remanded the case to the District Court to determine the question of whether the made-whole laws, codified in Section 2-18-902 and Section 33-30-1102, MCA, apply to the various types of third-party administrators (TPAs) at issue in Diaz. The District Court held that these laws do not apply to TPAs. The Plaintiffs appealed this decision.

On December 21, 2011, the Supreme Court issued its decision, holding that the District Court abused its discretion in denying a class action and that BCBS and New West, as TPAs of the State's health plan, are not subject to the made-whole laws as "insurers" under Section 2-18-901 to 902, MCA, or under a third-party beneficiary theory.

On June 20, 2012, the District Court ruled on the State's summary judgment motion seeking an order from the court that the State has not violated the made-whole laws in the administration of its health plan. The court denied the State's motion, ruling that the State is an insurer for the purposes of the made-whole laws and that it must conduct a made-whole analysis before exercising and subrogation/coordination of benefits rights. The State filed with the District Court a motion requesting that the court certify its decision to the Montana Supreme Court. The District Court granted the motion, and the Montana Supreme Court, over Plaintiffs' objection, ultimately agreed in a November 27, 2012, Order to hear this issue. The Plaintiffs also appealed to the Montana Supreme Court, the District Court's definition of the class action.

On August 6, 2013, the Montana Supreme Court issued its opinion, affirming the Montana First Judicial District Court's decision defining the class action to include only those State benefit plan members who had timely filed claims for covered benefits for services that took place no earlier than eight years before the filing of the Plaintiffs' complaint, which was October 23, 2008.

On November 6, 2013, the Montana Supreme Court issued its opinion, affirming the District Court's June 20, 2012 Decision that the applicable made-whole laws apply to the State benefit plan.

On September 8, 2014, the District Court issued an order ruling on several motions that the parties had filed. The principal rulings were: (i) the Court authorized Plaintiffs to proceed with additional discovery to determine if the class definition should be altered or amended; (ii) given its order to allow additional discovery, the Court held in abeyance its decision on the State's Motion for Summary Judgment requesting that the class be limited to those who timely filed claims within the one-year filing restriction contained in the State's policy; (iii) the Court granted the Plaintiffs' motions asking the Court to require the State to conform its health plans, procedures, notices, and practices to comply with the Montana Supreme Court's rulings in this case and to pay covered medical expenses, await the resolution of claims against liability carriers, and then conduct a made-whole determination before it can exercise subrogation or accept reimbursements from its members or providers; and (iv) the Court ordered the parties to

develop a class notice to be sent to past and current plan members dated back to eight years before this suit was filed. The State and Plaintiffs' counsel developed the notice that has been sent to class members.

On April 13, 2015, the District Court issued an Order on Interest to Be Paid, requiring the State to include in the payments ultimately made to class members' interest at the rate of 10.0% per annum. For claims arising before December 24, 2009, interest would begin 30 days following the Montana Supreme Court's decision in Blue Cross and Blue Shield of Montana, Inc. v. Montana State Auditor. For any claims arising after December 24, 2009, interest would begin starting on the day the underlying medical expenses were incurred.

On October 5, 2015, the Plaintiffs filed with the District Court a motion directing the State to pay attorney fees arising from the class action suit. On November 9, 2015, the District Court issued an order denying Plaintiffs' motion for attorney fees.

On December 14, 2015, the District Court issued an order certifying that its orders concerning interest and attorney fees were final for purposes of an appeal to the Montana Supreme Court. On January 12, 2016, the Plaintiffs filed a Notice of Appeal with the Montana Supreme Court, appealing the interest and attorney fee orders.

Pursuant to the Montana Supreme Court's mandatory mediation process, the parties reached a settlement on attorney fee payments; however, the parties did not reach agreement on the interest issue. On October 25, 2016, the Montana Supreme Court issued its ruling on the interest issue, finding that November 14, 2009, is the date that interest commences; and, for claims arising after November 14, 2009, interest will begin starting on the day the underlying medical expenses were incurred.

On April 28, 2017, the District Court appointed a Special Master to consider and resolve issues regarding expanding the class to persons with unsubmitted claims; whether to include claims after 2009; whether the State must identify members from third party administrators other than Blue Cross/Blue Shield; whether, if at all, the State must reform its systematic practices; supervising the payment and notice process; which party or parties should pay the Special Master for her time and expenses; whether the District Court should approve a partial payment of attorney fees; setting a time frame for making claims; setting a time for ending the class action; determining payment of residual funds; and any other issues as necessary to facilitate the swift and equitable resolution of the case.

As of June 30, 2017, the State paid Plaintiffs \$1.4 million in based payments plus interest.

On June 21, 2017, the Special Master issued a report and recommended order regarding the partial payment of the Plaintiffs' counsels' attorney fees. This recommendation was based on a stipulation the State and the Plaintiffs' counsel had reached, agreeing that the State would pay counsel \$400.8 thousand for claims made by individuals that could be documented. The State has paid this amount to class counsel.

The Special Master issued a second report and recommended order expanding the class on August 8, 2018. The principal findings of this recommendation were to expand the class definition to include those individuals who did not submit claims to the State for processing; to expand the class to end June 30, 2016; and to redefine the class as (a) employees, employee dependents, retirees, and retiree dependents who participate or participated in the State of Montana's health benefit plan(s), administered or operated by the State and/or the third party administrators whose claims for covered benefits took place no earlier than eight years prior to the filing of the complaint in this action, which was October 23, 2008; (b) who were injured through the legal fault of persons who have legal obligations to compensate them for all damages sustained; and (c) who have not been made whole for their damages (or for whom the State and TPAs conducted no made-whole analysis) because the State and the third party administrators programmatically failed to pay benefits for their covered medical costs. On October 29, 2018, the District Court Judge issued an Order Adopting the Special Master's Report Expanding the Class.

As of June 30, 2018, the State paid Plaintiffs \$1.7 million in based payments plus interest.

On April 23, 2019, the District Court Judge approved the parties' motion for a process to identify and distribute residual funds for known class members on the master list for Blue Cross Blue Shield of Montana claims. On May 2, 2019, the State issued payment of \$122.0 thousand to the Hunt Law Firm for the residual funds and interest thereon.

On May 1, 2019, the parties filed the Notice to Special Master of Agreement on Notice Procedure. Pursuant to that notice, the State distributed notices to all former and current State employees enrolled in the State health plan between January 1, 2010, through June 30, 2016. Notice was distributed through email and first-class mail. The initial distribution of notices was May 23, 2019. The deadline for a claimant to return a claim to the State was November 30, 2019.

As of June 30, 2019, the State paid Plaintiffs \$2.0 million, including the payment for residual funds and interest.

As of June 30, 2020, the State paid Plaintiffs \$2.9 million for claim payments, interest, and attorney fees for Plaintiffs' counsel.

As of February 28, 2021, the state paid Plaintiffs a cumulative \$3.0 million for claim payments, interest, and Plaintiffs' attorney fees.

On March 23, 2021, Plaintiffs filed a motion to enforce an October 29, 2018 Order to address first party medical payments coverage in casualty insurance policies (the "Med-pay Claims"). Plaintiffs contend that the Med-pay Claims should be paid. On July 23, 2021, Special Master held a hearing on Plaintiffs' motion.

As of June 30, 2021, the amount State paid Plaintiffs for claim payments, interest, and attorney fees for Plaintiffs' counsel was unchanged from February 28, 2021.

Since the case is ongoing, the State does not have sufficient information to determine the ultimate cost to the State.

Disability Rights Montana v. Gootkin and Salmonsens (Cause # CV-15-22) is a civil rights case filed by the ACLU of Montana on behalf of Plaintiff, alleging deliberate indifference in the provision of mental health care to seriously mentally ill inmates at Montana State Prison. Plaintiff sought only declaratory and injunctive relief and later amended its complaint, seeking similar relief under Section 1983 of Title 42 of the United States Code, the Civil Action for Deprivation of Rights. The District Court had dismissed the case for failure to state a claim, which order was appealed by Plaintiffs to the Ninth Circuit Court of Appeals. The Ninth Circuit Court of Appeals overturned the district court's ruling and remanded the case back to the district court in front of a new judge. As a result, the Department of Corrections (Department) has participated in on-going discovery, with the aid of outside expert witnesses and the defense of the case through outside legal counsel. The parties had previously exchanged settlement proposals without success. Because of legislation enacted during the 2019 legislative session, the Department implemented significant changes in the use of restrictive housing, especially as related to seriously mentally ill inmates. The Plaintiff seeks only prospective injunctive and declaratory relief, as well as reasonable attorneys fees, litigation expenses and costs, which could likely exceed \$1.0 million. At this time, the Department continues to be unable to specify an anticipated amount of financial obligation imposed either by settlement or by judgment. It is reasonably possible that there could be an unfavorable outcome in this case.

Cascade County v. State of Montana, Montana and Department of Corrections (Department) (Cause # CDV-2019-1181) is a case filed by Cascade County, suing for breach of contract, unjust enrichment and breach of implied covenant of good faith and fair dealing, seeking over \$766.0 thousand in unpaid jail reimbursement costs plus interest at 10.0% per annum. This case involved interpretation of contract and statutory language. This matter was referred to the Department of Justice Agency Legal Services for representation of the Department. The matter was resolved prior to June 30, 2021, by settlement and dismissal at no cost to the State or Department.

Vincent, Benner, and Hoch v. DPHHS (CDV-19-0314, Eighth Judicial District Court, Cascade County) was filed on May 17, 2019, by Montana Optometric Association members seeking class certification of all licensed Montana optometrists who are participating providers in Montana Medicaid. The named plaintiffs claim the Department's Medicaid rate structure discriminates against them because they are paid less than physicians (doctors of medicine or doctors of osteopathy) for performing the same services. They cite Section 37-10-104, MCA, as the basis of the discrimination claim. They seek declaratory relief and permanent injunctive relief in their claims of discrimination, violations of MAPA, breach of contract, and implied covenant of good faith. They request damages, interests, costs, and attorney fees, which would amount to more than \$1 million. A motion for class certification has been fully briefed, but remains pending.

William and Ellen Solem v. State of Montana (CDV-10-073 (D)) is a case that the Solems filed a motion for class certification in the Eleventh Judicial District Court, Flathead County, challenging their land value, primarily arguing that the water influence used by the Department leads to improperly inflated values. The District Court granted class certification. The class certified is "all lakefront property owners in Neighborhood 800 who have timely paid under protest any portion of their property taxes since the last assessment cycle beginning in 2009". Neighborhood 800 is the Lakeside-Somers area in which the Solems' property is located. Between 2009 and 2015, approximately 200 taxpayers in Neighborhood 800 paid property taxes under protest. A four-day trial on liability was held in March 2019. On October 15, 2019, the District Court issued its Findings of Fact, Conclusions of Law, and Order finding the Department liable. The District Court concluded that the Department employed a non-uniform method of appraisal, failed to value similar properties in a like manner, and failed to appraise the subject properties in a manner that is fair to all taxpayers. The matter has now moved to the damages phase. Motions relating to damages were filed and the District Court granted Solems' motions on the calculation of damages and whether Solems are entitled to attorney fees and costs. The District Court denied Solems' motion to expand the class definition to include taxpayers who did not pay under protest. The District Court denied the Department's motion to decertify the class. The Department recently received invoices of Solems' legal fees and costs (between \$400.0 thousand and \$600.0 thousand) and is reviewing them. The Department intends to appeal this matter to the Montana Supreme Court upon issuance of a final judgment.

S.W v. State of Montana (DDV-13-813, Eighth Judicial District Court, Cascade County) is a case filed in 2013 by the guardian of a minor against the State Department of Public Health and Human Services (the Department). The Plaintiff contended that the Department was negligent *per se* as a matter of law involving a child abuse incident caused by the birth father's girlfriend that permanently harmed SW. The perpetrator was subsequently convicted and imprisoned for thirty years. On February 18, 2020, the District Court judge issued an order granting partial summary judgment to plaintiff, determining that the Department had a duty to SW, that a violation of the statutory and administrative regulations constitutes negligence *per se*, that the Department is not entitled to immunity, and that the statutory damages cap in Section 2-9-108(1), MCA does not apply. A jury trial, limited to the issue of damages, was held on November 16-17, 2021. The jury awarded damages of \$16.7 million which included damages for loss of future earning capacity, past personal care assistance, future care costs, mental and emotional suffering, and impairment of capacity to pursue an established course of life. A judgment was issued on November 18, 2021. The Department will be appealing the matter to the Montana Supreme Court and expects a decision sometime in late 2022. As the matter will be on appeal, the Department is unable to assess the degree of probability of an unfavorable final outcome or the associated loss until the Montana Supreme Court issues a decision.

The Public Employee Retirement Board (PERB) has three items of outstanding litigation in relation to the Sheriffs' Retirement System (SRS) and the Montana Public Employee's Retirement Administration (MPERA). Refer to Note 6, section J, for additional disclosure in relation to this legal proceeding.

The Montana State Fund, a discretely presented component unit of the State. Refer to Note 18, section O, for additional disclosure in relation to these legal proceedings.

Federal Contingencies

Federal Grants - The State receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs (which are not included in the basic

financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or financial and compliance audits by the granter agencies of the Federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the State. The State is currently involved in administrative and legal proceedings, with certain federal agencies, contesting various disallowances and sanctions related to federal assistance programs for \$131.7 thousand at June 30, 2021. The State's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

Food Distribution Program – The amount reported for Food Distribution programs (ALN #10.555, #10.565, #10.567, #10.569, and #93.053) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the State to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. The State also distributes food commodities to other states in the western region of the United States, the value of which is excluded from the reported amounts. During fiscal year 2021, the State distributed \$479.8 thousand of food commodities under ALN #10.567 to other states.

The State distributed \$10.8 million in commodities in fiscal year 2021. The value at June 30, 2021, of commodities stored at the State's warehouse, is \$5.8 million, for which the State is liable in the event of loss. The State has insurance to cover this liability.

Miscellaneous Contingencies

Loan Enhancements – As of June 30, 2021, the Board of Investments (BOI) had provided loan guarantees from the Coal Severance Tax Permanent Fund to the Municipal Finance Programs and the Facility Finance Authority (a component unit of the State of Montana), totaling \$190.8 million. The BOI's exposure to bond issues of the Municipal Finance Programs was \$90.6 million, while exposure to bond issues, surety bonds, and designated loans of the Facility Finance Authority were \$100.2 million. The BOI has not been held responsible for any loan guarantee in the past.

Gain Contingencies – Certain natural resource and corporate tax assessments are not reported on the State's financial statements because they are being protested administratively. As of June 30, 2021, the following assessments (by fund type) were outstanding (in thousands):

<u>Taxes</u>	<u>General Fund</u>
Corporate Tax	\$ 14,668

The collectability of these contingencies is dependent upon the decisions of the court, other authorities, or agreed upon settlements. The corporate tax assessments include material estimates that could result in a significant reduction of the tax assessed once actual numbers are provided. Interest related to corporate tax assessments is distributed to the General Fund and is included in the assessment total above.

Loss Contingencies – Certain corporations have requested refunds that are not reported on the State's financial statements as of June 30, 2021. The corporations have appealed the Department of Revenue's decision to deny or adjust the refund. As of June 30, 2021, these include \$11.7 million of General Fund corporate tax refunds. It is estimated that most of these corporation tax refunds would consist primarily of tax and could be significantly reduced or eliminated due to audits and appeals currently in process.

Certain companies have protested property taxes that have been included as revenue on the State's financial statements as of June 30, 2021. As of June 30, 2021, these include \$19.2 thousand of protested property taxes recorded in the General Fund and \$21.8 thousand recorded in the State Special Revenue Fund.

NOTE 17. SUBSEQUENT EVENTS

Investment Related Issues

Since June 30, 2021, the Board of Investments (BOI) made additional commitments to fund loans from the INTERCAP loan program in the amount of over \$16.1 million.

Since June 30, 2021, BOI has committed an additional \$109.0 million within the Real Estate Pension Asset Class and \$100.0 million within the Real Assets Pension Asset Class, and \$210.0 million within the Private Investments Pension Asset Class of Consolidated Asset Pension Plan (CAPP), and \$50.0 million within Real Estate of the Trust Fund.

Since June 30, 2021, BOI has reserved \$5.5 million, committed \$1.7 million, and funded \$7.4 million of additional funds to Montana lenders from the Coal Severance Tax Permanent Fund's In-State Loan Program. Of the commitments in effect as of June 30, 2021, \$10.0 million have since expired. Additional reservations in the amount of \$4.9 million were made for the Veterans' Home Loan Program (VHLM) residential mortgage purchases.

On November 30, 2021, BOI adopted Resolution No. 249 entitled: "Resolution of the Board of Investments of the State of Montana relating to its annual adjustable rate Municipal Finance Consolidation Act Extendable Bond (INTERCAP Loan Program), Taxable Series 2022, fixing the terms and conditions of the INTERCAP Bond, and authorizing the sale and issuance of the INTERCAP Bond to the Unified Investment Program." All outstanding tax-exempt series bonds were defeased on January 25, 2022, in the amount of \$90.6 million and were redeemed on March 1, 2022. The Taxable Series 2022 bonds were issued on January 25, 2022, in the amount of \$68.7 million.

Other Subsequent Events

On November 17, 2021, Department of Natural Resources & Conversation (DNRC) paid off the Coal Severance Tax series 2020M bond in full for \$2.3 million principal and \$20.5 thousand in interest.

On November 19, 2021, DNRC withdrew an additional \$1.5 million in proceeds from the previously authorized Drinking Water series 2020N bond anticipation note (BAN); drawing the entire authorized amount of \$3.2 million.

On December 1, 2021, DNRC prepaid \$700.0 thousand in principal to the Coal Severance Tax series 2020L bond.

On December 14, 2021, the Board of Examiners authorized the following:

- \$3.9 million series 2021A general obligation bond anticipation notes, and
- \$3.8 million series 2021B general obligation bond anticipation notes.

On December 17, 2021, DNRC issued new general obligation BANs from BOI. The Drinking Water State Revolving Fund issued series 2021A for \$3.9 million, and the Water Pollution Control State Revolving Fund issued series 2021B for \$3.8 million. Both bonds will be used for new loans within the programs.

The Montana Department of Transportation (MDT) was issued notice from the Federal Motor Carrier Safety Administration (FMCSA) of possible sanctions regarding the Entry Level Driver Training (ELDT) requirements for commercial driver's licenses (CDL). These new training standards must be implemented by the compliance date of February 7, 2022. House Bill 608 (HB608) was introduced to the 2021 legislature to implement ELDT regulations. HB608 did not pass. States that are not compliant with the ELDT requirements by the compliance date will be subject to decertification of their CDL programs and/or withholding of up to 4 percent of the National Highway Performance Program and the Motor Carrier Safety Assistance Program (MCSAP) funding that would otherwise be apportioned. The potential for sanctions is high since HB608 did not pass. The consequences of the State's non-compliance with CDL regulations may result in up to 4 percent of the State's Federal Aid Highway apportionment for fiscal year 2022, or \$15.0 million; and 8 percent in fiscal year 2023 and subsequent years of approximately \$31.0 million per year. MDT could lose MCSAP grant eligibility resulting in FMCSA withholding up to \$6.5 million annually.

The State of Montana was allocated \$1.6 billion from the American Rescue Plan Act (ARPA) during fiscal year 2021. The legislature has appropriated approximately \$1.2 billion and enacted laws to allow appropriations to continue into the 2023 and 2025 bienniums. The programs designated by the legislature for ARPA funding are infrastructure, communications, economic transformation and stabilization, workforce development, and health. ARPA funds spent before June 30, 2021, totaled \$58.4 million, and since June 30, 2021, another \$116.0 million has been spent. Montana plans to spend all funds received by June 30, 2026.

In January 2022, the State received \$78.6 million from National Indemnity Company as the result of asbestos litigation.

On February 25, 2022, Montana Attorney General announced that the State will receive \$80.0 million in the final approval of the multi-state settlement holding the nation's three major pharmaceutical distributors accountable for their roles in fueling the national opioid epidemic and the harm it has caused. The settlement will be used to combat the opioid crisis. The settlement will be paid incrementally over several years. The first disbursement of the settlement is unknown.

NOTE 18. COMPONENT UNITS**A. Condensed Financial Statements**

Below are the condensed financial statements of the component units for the State of Montana as of June 30, 2021 (in thousands):

	Condensed Statement of Net Position					
	Component Units					
	Montana Board of Housing	Facility Finance Authority	Montana State Fund ⁽¹⁾	Montana State University	University of Montana	Total Component Units
Assets:						
Cash, investments and other assets	\$ 667,494	\$ 8,988	\$ 1,743,509	\$ 743,495	\$ 683,433	\$ 3,846,919
Due from primary government	—	—	—	636	1,683	2,319
Due from component units	—	—	—	—	289	289
Capital assets (net) (Note 18C)	11	1	49,379	587,258	383,748	1,020,397
Total assets	667,505	8,989	1,792,888	1,331,389	1,069,153	4,869,924
Deferred Outflows of Resources	1,073	141	6,360	74,982	57,906	140,462
Liabilities:						
Accounts payable and other liabilities	10,238	22	79,831	66,684	65,325	222,100
Due to primary government	—	—	—	1,953	45	1,998
Due to component units	—	—	—	289	—	289
Advances from primary government ^{(2) (3)}	—	—	—	15,108	2,946	18,054
Long-term liabilities (Note 18I)	498,028	403	1,044,845	376,962	321,739	2,241,977
Total liabilities	508,266	425	1,124,676	460,996	390,055	2,484,418
Deferred Inflows of Resources	204	25	2,753	25,152	29,895	58,029
Net Position:						
Net investment in capital assets	3	1	49,379	402,916	259,661	711,960
Restricted	160,105	—	—	394,375	413,041	967,521
Unrestricted	—	8,679	622,440	122,932	34,407	788,458
Total net position	\$ 160,108	\$ 8,680	\$ 671,819	\$ 920,223	\$ 707,109	\$ 2,467,939

⁽¹⁾ Montana State Fund reports their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2020.

⁽²⁾ Loans from the Coal Severance Tax Permanent Fund make up \$4.4 million and \$2.9 million of these balances for Montana State University and University of Montana, respectively.

⁽³⁾ Loans from the Board of Investment's INTERCAP and the Department of Environmental Quality's energy conversation loan programs make up \$8.5 million and \$2.2 million, respectively, of the balance for Montana State University.

Condensed Statement of Activities

	Component Units					
	Montana Board of Housing	Facility Finance Authority	Montana State Fund ⁽¹⁾	Montana State University	University of Montana	Total Component Units
Expenses	\$ 21,820	\$ 538	\$ 171,042	\$ 646,557	\$ 464,845	\$ 1,304,802
Program Revenues:						
Charges for services	2,612	821	148,625	273,506	148,670	574,234
Operating grants and contributions	18,908	112	—	320,508	240,803	580,331
Capital grants and contributions	—	—	—	11,663	336	11,999
Total program revenues	21,520	933	148,625	605,677	389,809	1,166,564
Net (expense) program revenues	(300)	395	(22,417)	(40,880)	(75,036)	(138,238)
General Revenues:						
Unrestricted grants and contributions	—	—	—	4	—	4
Unrestricted investment earnings	—	—	113,980	14,585	10,286	138,851
Transfer from primary government ⁽²⁾	501	—	—	147,703	108,740	256,944
Gain (loss) on sale of capital assets	—	—	(55)	41	—	(14)
Miscellaneous	—	—	2,002	—	—	2,002
Contributions to term and permanent endowments	—	—	—	30	29,477	29,507
Total general revenues and contributions	501	—	115,927	162,363	148,503	427,294
Change in net position	201	395	93,510	121,483	73,467	289,056
Total net position – July 1 – as previously reported	159,914	8,285	578,092	798,709	633,642	2,178,642
Adjustments to beginning net position	(7)	—	217	31	—	241
Total net position – July 1 – as restated	159,907	8,285	578,309	798,740	633,642	2,178,883
Total net position – June 30	\$ 160,108	\$ 8,680	\$ 671,819	\$ 920,223	\$ 707,109	\$ 2,467,939

⁽¹⁾ Montana State Fund reports their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2020.

⁽²⁾ Transfers to both Montana State University and the University of Montana are appropriated by the State legislature to assist with higher education related costs.

B. Cash/Cash Equivalents and Investments

Due to the integration of funds and combined financial information, component unit cash and cash equivalents, equity in pooled investments, and investments are included with the primary government in Note 3. For more detail on investments held outside of the Montana Board of Investments, refer to the entity's respective separately issued financial statements.

C. Capital Assets

The following table summarizes net capital assets reported by the discretely presented component units (in thousands). All component units, other than higher education units, are included under the "Other" caption for this schedule:

	Montana State University	University of Montana	Other	Total
Capital assets not being depreciated:				
Land	\$ 8,203	\$ 8,306	\$ 1,139	\$ 17,648
Construction work in progress	52,951	11,018	19,176	83,145
Capitalized collections	9,931	28,108	—	38,039
Livestock for educational purposes	4,249	—	—	4,249
Total capital assets not being depreciated	75,334	47,432	20,315	143,081
Capital assets being depreciated:				
Infrastructure	45,122	9,904	—	55,026
Land improvements	35,109	16,468	—	51,577
Buildings/Improvements	804,575	669,670	27,942	1,502,187
Equipment	178,153	110,786	7,358	296,297
Livestock	—	255	—	255
Library books	67,412	62,731	—	130,143
Leasehold improvements	8,668	—	—	8,668
Right-to-use leased buildings ⁽¹⁾	—	—	5,261	5,261
Right-to-use leased equipment ⁽¹⁾	—	—	78	78
Total capital assets being depreciated	1,139,039	869,814	40,639	2,049,492
Total accumulated depreciation	(652,850)	(537,071)	(11,663)	(1,201,584)
Total capital assets being depreciated, net	486,189	332,743	28,976	847,908
Intangible assets	614	1,139	100	1,853
MSU Component Unit capital assets, net	25,121	—	—	25,121
UM Component Unit capital assets, net	—	2,434	—	2,434
Discretely Presented Component Units capital assets, net	\$ 587,258	\$ 383,748	\$ 49,391	\$ 1,020,397

⁽¹⁾ Montana State Fund early implemented GASB Statement No. 87, for the calendar year ended December 31, 2020, and created the right-to-use lease assets.

D. Other Postemployment Benefits (OPEB)

Non-university component units are included in the State of Montana benefit plan, whereas the Office of the Commissioner of Higher Education (included in the primary government otherwise) is included in the Montana University System benefit plan. For these reasons, component unit OPEB information is included in Note 7.

E. Risk Management

Montana State Fund (MSF or New Fund) is the only component unit risk pool. Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims, including the effects of inflation and other societal/economic factors. There are no significant reductions in insurance coverage from the prior year, nor any insurance settlements exceeding insurance coverage for the last three years for MSF. This fund uses the accrual basis of accounting. Montana State Fund investments are recorded at

fair value, and the premiums and discounts are amortized using the scientific interest method over the life of the securities.

(1) Montana State Fund (MSF) – This fund provides liability coverage to employers for injured employees who are insured under the Workers Compensation and Occupational Disease Acts of Montana and workers compensation claims occurring on or after July 1, 1990. MSF is a self-supporting, competitive State fund, and functions as the guaranteed market. At December 31, 2020, approximately 23,300 employers were insured with MSF. Anticipated investment income is considered for computing a premium deficiency, and employers must pay premiums to MSF within specified time frames.

An actuarial study prepared by Willis Towers Watson, as of December 31, 2020, estimated the cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. Due to the fact that actual claim costs depend on complex factors such as inflation and changes in the law, claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors.

A provision for inflation is implicit in the calculation of estimated future claim costs because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. As of December 31, 2020, \$940.2 million of unpaid claims and claim adjustment expenses were presented at face value.

Section 39-71-2311, MCA, requires MSF to set premiums, at least annually, at a level sufficient to ensure adequate funding of the insurance program during the period the rates will be in effect. It also requires MSF to establish a minimum surplus above risk-based capital requirements to support MSF against risks inherent in the business of insurance.

For the year ended December 31, 2020, MSF ceded premiums to other reinsurance companies to limit the exposure arising from large losses. These arrangements consist of excess of loss contracts that protect against individual occurrences over stipulated amounts, and an aggregate stop-loss contract which protects MSF against the potential that aggregate losses will exceed expected levels expressed as a percentage of premium. The excess of loss contract provides coverage for occurrences up to \$100.0 million; however, MSF retains the first \$10.0 million of coverage. The excess of loss protection applies to an individual occurrence with a maximum of \$10.0 million on any one life.

The aggregate stop-loss contract provides coverage based on MSF's premium levels not to exceed 15.0% of the subject net earned premium. In the event reinsurers are unable to meet their obligations, under either the excess of loss contracts or the aggregate stop loss contract, MSF would remain liable for all losses, as the reinsurance agreements do not discharge MSF from its primary liability to the policyholders.

Premium revenue was reduced by premiums paid for reinsurance coverage of \$8.9 million during the year ended December 31, 2020.

Estimated claim reserves were reduced by \$290.4 thousand as of December 31, 2020, for the amount of reinsurance estimated to be ultimately recoverable on incurred losses due to the excess of loss reinsurance contract. There were no estimated recoverables due to the aggregate stop-loss contract.

(2) Changes in Claims Liabilities for the Past Two Years – As indicated above, this fund establishes liabilities for both reported and unreported insured events, including estimates of future payments of losses and related claim adjustment expenses. The following table presents changes (in thousands) in the aggregate liabilities for Montana State Fund net of estimated reinsurance recoverable. The information presented is at face value and has not been discounted.

	Year Ended December 31, 2020	Year Ended December 31, 2019
Unpaid claims and claim adjustments expenses at beginning of year	\$ 956,594	\$ 941,638
Incurring claims and claim adjustment expenses:		
Provision for insured event of the current year	125,599	129,455
Increase (decrease) in provision for insured events of prior years	(27,224)	(9,466)
Total incurred claims and claim adjustment expenses	98,375	119,989
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	(23,890)	(24,965)
Claims and claim adjustment expenses attributable to insured events of prior years	(90,918)	(80,068)
Total payments	(114,808)	(105,033)
Total unpaid claims and claim adjustment expenses at end of year	\$ 940,161	\$ 956,594

F. Capital Leases/Installment Purchases/Right-To-Use Leases

Obligations under capital leases/installment purchases at June 30, 2021, were as follows (in thousands):

Capital Leases/Installment Purchases Fiscal Year Ending June 30:	Discretely Presented Component Units ⁽¹⁾
2022	\$ 145
2023	105
2024	55
2025	47
2026	17
Thereafter	—
Total minimum payments	369
Less: interest	(29)
Present value of minimum payments	\$ 340

Right-To-Use Leases Fiscal Year Ending June 30:	Principal	Interest	Total ⁽¹⁾
2022	\$ 265	\$ 112	\$ 377
2023	250	105	355
2024	222	99	321
2025	221	94	315
2026	226	89	315
2027-2031	1,208	367	1,575
2032-2036	1,349	226	1,575
2037-2041	1,192	68	1,260
Total	\$ 4,933	\$ 1,160	\$ 6,093

⁽¹⁾ For the calendar year 2020, Montana State Fund early-adopted GASB Statement No. 87, Leases. Accordingly, for all of its long-term leases, a intangible right-to-use lease asset and lease liability were created. The assets are amortized over the term of the lease, while the liabilities are reduced as scheduled lease payments are made. Montana State Fund's total amount of lease assets and accumulated amortization is disclosed in Note 18, section C. Capital Assets as right-to-use lease assets.

G. Operating Leases

Future rental payments under operating leases at June 30, 2021, are as follows (in thousands):

Fiscal Year Ending June 30:	Discretely Presented Component Units
2022	\$ 4,607
2023	4,283
2024	3,502
2025	3,484
2026	2,684
Thereafter	11,961
Total future rental payments	<u>\$ 30,521</u>

⁽¹⁾ For the calendar year 2020, MSF early-adopted GASB Statement No. 87, Leases. Accordingly, for all of its long-term leases, MSF will no longer be reporting leases as a operating lease and instead has created a intangible right-to-use lease asset.

H. Debt Service Requirements

Debt service requirements of discretely presented component units at June 30, 2021, were as follows (in thousands):

Ended June 30:	Montana Board of Housing		Montana State University		Montana State University Direct Placement		University of Montana	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	16,820	15,299	10,360	6,908	433	442	3,010	5,466
2023	17,745	14,937	6,275	6,570	446	429	3,130	5,348
2024	18,510	14,525	6,580	6,286	459	416	3,255	5,224
2025	18,590	14,085	6,770	5,981	472	402	3,380	5,096
2026	21,775	13,619	7,155	7,299	486	388	3,515	4,962
2027 - 2031	104,065	58,732	29,465	22,301	2,654	1,718	20,195	22,189
2032 - 2036	101,050	41,375	30,970	15,152	3,069	1,304	25,000	17,383
2037 - 2041	84,458	25,340	23,325	9,434	3,547	826	29,345	13,048
2042 - 2046	65,305	11,619	22,225	3,315	3,663	273	34,400	7,974
2047 - 2051	35,520	2,613	5,700	194			31,810	2,093
Total	<u>\$ 483,838</u>	<u>\$ 212,144</u>	<u>\$ 148,825</u>	<u>\$ 83,440</u>	<u>\$ 15,229</u>	<u>\$ 6,198</u>	<u>\$ 157,040</u>	<u>\$ 88,783</u>

I. Summary of Changes in Long-term Liabilities Payable

Long-term liability activity of discretely presented component units for the year ended June 30, 2021, was as follows (in thousands):

	Beginning Balance ⁽²⁾	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
Discretely presented component units						
Bonds/notes payable						
Montana Board of Housing	531,282	73,710	111,030	493,962	16,820	477,142
Montana State University (MSU)	167,355	98	11,617	155,836	10,478	145,358
MSU Direct Placement	15,649	—	420	15,229	433	14,796
University of Montana (UM)	168,235	—	3,370	164,865	3,010	161,855
Total bonds/notes payable ⁽¹⁾	882,521	73,808	126,437	829,892	30,741	799,151
Other liabilities						
Capital lease/installment purchase/right-to-use lease payable	426	5,050	203	5,273	398	4,875
Compensated absences payable	69,640	26,430	23,310	72,760	27,876	44,884
Arbitrage rebate tax payable	1,121	234	594	761	521	240
Estimated insurance claims	956,594	98,375	114,808	940,161	111,878	828,283
Due to federal government	27,257	17,267	20,615	23,909	—	23,909
Derivative instrument liability	5,499	—	3,580	1,919	—	1,919
Reinsurance funds withheld	56,754	8,524	—	65,278	—	65,278
Unearned compensation	391	136	39	488	—	488
Net pension liability	186,395	70,046	18,660	237,781	—	237,781
Total OPEB liability	27,460	47,907	17,243	58,124	—	58,124
Total other liabilities	1,331,537	273,969	199,052	1,406,454	140,673	1,265,781
	2,214,058	347,777	325,489	2,236,346	171,414	2,064,932
Long-term liabilities of Montana University System component units ⁽³⁾					517	5,114
Total discretely presented component units' long-term liabilities					\$ 171,931	\$ 2,070,046

⁽¹⁾ When applicable, this amount includes unamortized discounts and unamortized premiums.

⁽²⁾ Beginning balances are taken from component unit financial statements, which may have been adjusted from the prior year's ending balances.

⁽³⁾ Inter-entity transaction eliminations between Montana University System component units for debt shown in the component unit information can cause negative balances in component unit information.

J. Refunded and Early Retired Debt

Refunded Debt

On March 31, 2021, the Montana Board of Housing issued \$43.4 million of Single Family Mortgage Bonds, Series 2021A (1977 Single Family I Indenture, amended and restated as of May 1, 1997). Bond proceeds of \$13.4 million were used as a replacement refunding of the 2011B/2009C Series to reduce debt service payments over the remaining life of the original series. The refunding was a current refunding, thus no economic gain or loss has been calculated.

Defeased Debt Outstanding

The University of Montana has defeased certain bond issues by placing the proceeds of new bonds in an irrevocable trust. The proceeds, together with interest earned thereon, will be sufficient for future debt service payments on the refunded issues. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's consolidated financial statements. As of June 30, 2021, \$111.5 million of bonds outstanding were considered defeased.

K. No-Commitment Debt

Information is presented below for financing authorities participating in debt issues. The State has no obligation for this debt. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

Facility Finance Authority (FFA)

FFA is authorized to issue bonds and notes to finance projects for qualifying health care and other community-based service providers. The revenue bonds are payable solely from loan repayments to be made by eligible facilities pursuant to loan agreements, and further, from the funds created by the indentures and investment earnings thereon. The notes are payable solely from loan repayments pursuant to loan agreements. The revenue bonds and notes payable issued by FFA do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana, with the exception of the Montana State Hospital Project included in Note 11. At June 30, 2021, revenue bonds and notes outstanding aggregated \$1.1 billion.

The Board of Investments and FFA have entered into a capital reserve account agreement for certain bond issues. See Note 11 for more information.

Montana Board of Housing (MBOH)

MBOH is authorized to issue bonds and make mortgage loans in order to finance affordable housing for Montana residents. The bonds are special limited obligations, payable solely from pledged revenues and assets of the borrower, not general obligations of MBOH. These bonds issued by MBOH do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana. At June 30, 2021, bonds outstanding aggregated \$177.6 million.

L. Non-Exchange Financial Guarantee

BOI provides loan guarantees from the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled \$100.2 million as of June 30, 2021. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute, which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI and FFA have entered into an agreement detailing repayment to BOI. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2021 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
\$ 88,346	\$ 33,465	\$ 21,563	\$ 100,248

M. Derivative Instrument Transactions Related to Long-term Debt

Montana State University (MSU) has two interest rate swaps as of June 30, 2021. Interest rate swaps are classified as hedging derivative instruments if the instruments meet the criteria of paragraphs 27 (a) and (b) of GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), or as investment derivative instruments if they do not. The following table summarizes the interest rate swaps outstanding as of June 30, 2021:

Derivative Instrument Description	Trade Date	Effective Date	Termination Date	Terms	Counterparty
25.75 million fixed payer swap	3/10/2005	7/21/2005	11/15/2035	Pay 3.953%, Receive SIFMA ¹	Deutsche Bank AG
25.25 million basis swap	12/19/2006	11/15/2007	11/15/2035	Pay SIFMA, Receive 86.8% of 10-year SIFMA	Morgan Stanley Capital Services Inc.

1 Securities Industry and Financial Markets Association (SIFMA)

As of June 30, 2021, the fixed payer swap is classified as a hedging derivative instrument under GASB 53, whereas the basis swap is an investment derivative instrument because there is no identified financial risk being hedged by the basis swap that can be expressed in terms of exposure to adverse changes in cash flows or fair values. GASB 53 includes four methods for evaluating hedge effectiveness; a governmental entity may use any of the evaluation methods outlined in GASB 53 and is not limited to using the same method from period to period. The four methods described in GASB 53 are: consistent critical terms, synthetic instrument, dollar-offset, and regression analysis. In addition, GASB 53 permits a governmental entity to use other quantitative methods that are based on “established principles of financial economic theory.” The fixed payer swap passes the established criteria using the regression analysis methodology.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. To measure non-performance risk for a derivative instrument liability, credit spreads implied by the credit rating for debt issues by entities with similar credit characteristics were used. This is the best method available under current market conditions since MSU has no credit default swaps that actively trade in the marketplace. For a derivative instrument asset, the adjustment for non-performance risk of counterparties was determined by analyzing counterparty-specific credit default swaps, if available. If not available, credit default swaps in the market for entities of similar type and rating were used, along with information found in various public and private information services. This analysis is used to construct a credit curve that is applied to the discount curve on the net settlement payments of the derivative instrument.

The counterparty to the fixed payer swap had the right to terminate the swap at \$0 on December 14, 2016 (a European option); this option was not exercised. As of the trade date, the option’s value included intrinsic value and time value. The option’s intrinsic value (calculated as the difference between the at-market rate of 4.11% and the off-market rate of 3.953%) is accounted for as a loan receivable and is repaid by the off-market portion of each swap payment. On September 10, 2010, the Series J bonds were converted to index bonds. On September 4, 2018, the original Series J bonds were refunded in full with proceeds from the Series F 2018 bonds, which were issued in a “SIFMA Index Rate” mode. While in the SIFMA Index Rate, and through the Index Interest Rate Period, which spans from September 4, 2018, through and including September 1, 2023, the interest rate is reset weekly at a rate of the SIFMA rate plus

a fixed spread. The spread is based on the long-term, unenhanced rating assigned to MSU with the current spread as of June 30, 2021, was 0.45%. The dependent variable in the regression is the interest rates of the hedged cash flows; the independent variable is the floating rates due under the hedging derivative instrument.

The fair value of the fixed payer swap liability as of June 30, 2021, is at fair value level 2 and was based on forward SIFMA rates using the three-month Libor Zero Curve, and the BMA Swaption Volatility on the AA Rated Muni Revenue Curve. The fair value of the nonhedging derivative instrument investment is also at level 2 and was based on forward SIFMA rates using the 10-year forward BMA constant maturity swap, the three-month Libor Zero Curve, and the BMA Swaption Volatility on the counterparty's credit default swap.

The following table summarizes the reported balances as of, and the derivative instrument activity during, the year ended June 30, 2021, (in thousands):

Cash flow hedges:	Notional	Activity During 2021		Fair Values at June 30, 2021	
		Classification	Amount	Classification	Amount
Cash flow hedge –					
Pay fixed interest rate swap	17,450	Interest expense	19	Loan receivable	175
		Investment income	—	Derivative instrument liability	1,919
		Deferred outflow	1,125	Derivative instrument borrowing	2,196
Investment derivative instrument–					
Basis swap	17,450	Investment revenue	19	Investment (excluding interest accrued)	1

The objective and terms of MSU's hedging derivative instrument outstanding as of June 30, 2021, is as follows (in thousands):

Type	Objective	Notional amount	Effective Date	Termination Date	Cash (Paid)/Received	Terms
Pay fixed, cancelable interest rate swap	Hedge interest rate risk on Series F 2018 Bonds	\$ 17,450	7/21/2005	11/15/2035	\$ —	Pay 3.953% Receive SIFMA

Credit Risk

It is MSU's policy to enter into derivative instrument agreements with highly rated counterparties. As of June 30, 2021, counterparty ratings were A2 by Moody's and BBB+ by Standard and Poor's (S&P). MSU manages credit risk by requiring its counterparties to post collateral in certain events. MSU is entitled to collateral from its fixed payer swap counterparty if the interest rate swap's fair value is greater than \$5.0 million, and the counterparty is rated A+ or A by S&P, or A1 or A2 by Moody's. If the counterparty to the fixed payer swap is rated A- or below, by S&P, or A3 or below by Moody's, MSU is entitled to collateral up to 100% of the swap's fair value. MSU is not required to post collateral. MSU will continue to monitor counterparty credit risk.

MSU enters into derivative instrument agreements with multiple counterparties to limit the concentration of credit risk. Currently, MSU has interest rate swaps with two different counterparties, and each counterparty accounts for approximately 50% of outstanding notional. MSU monitors counterparty credit risk on an ongoing basis.

Interest Rate Risk

Interest payments on variable rate debt will typically increase as interest rates increase. MSU believes it has significantly reduced interest rate risk by entering into a pay-fixed, receive floating interest rate swap.

As interest rates increase, net swap payments decrease so that changes in hedged variable-rate debt interest payments, attributable to SIFMA, are largely offset by the net swap payments.

Basis Risk

The variable-rate cash flows being hedged by the pay-fixed swap will increase or decrease as SIFMA rates increase or decrease. Because the hedged cash flows are SIFMA based and the floating receipts of the pay-fixed swap are SIFMA based, there is no basis risk.

Termination Risk

MSU or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, MSU's fixed payer swap counterparty has the right to terminate the derivative instrument if the credit rating of MSU's unenhanced long-term revenue bond rating is withdrawn, suspended, or reduced below BBB-, in the case of S&P, or below Baa3 in the case of Moody's. If such an event occurs, MSU could be forced to terminate the fixed payer swap in a liability position. As of June 30, 2021, MSU's unenhanced long-term revenue bond rating was Aa3 by Moody's and A+ by S&P.

Foreign Currency Risk

All hedging derivative instruments are denominated in U.S. Dollars, and therefore MSU is not exposed to foreign currency risk.

Market Access Risk

Market access risk is the risk that MSU will not be able to enter credit markets or that credit will become more costly. For example, to complete a derivative instrument's objective, an issuance of refunding bonds may be planned in the future. If at that time MSU is unable to enter credit market, expected cost savings may not be realized.

N. Related Party Transactions

Private nonprofit organizations with relations to the University of Montana (UM) include the Alumni Association, the Montana Technology Enterprise Center (MonTEC), the Montana Tech Booster Club, and the Montana Tech Alumni Association. The associations and booster club operate exclusively to encourage, promote, and support educational programs, research, scholarly pursuits, and athletics at, or in connection with, UM. No transfers for scholarships and construction projects were made by the Montana Tech Booster Club for the year ended June 30, 2021. In exchange, UM provides the associations and booster club with office space, staff, and some related office expenses.

MonTEC was established as a nonprofit 501(c)3 corporation in fiscal year 2001 as a result of an agreement between UM and the Missoula Area Economic Development Foundation (MAEDF). MonTEC provides low-cost lease space and business consulting to local "start-up" companies. The corporation's board of directors is comprised of four members. Two members of the board of directors are UM employees, and two are non-UM employees. UM does not provide office space or other services to MonTEC.

Private nonprofit organizations affiliated with Montana State University (MSU) include the MSU-Bozeman Bookstore, Friends of KUSM, and Friends of KEMC. MSU-Bozeman leased certain office space from the MSU Foundation's wholly owned subsidiary, Advanced Technology Inc. (ATI). Rental and other payments to ATI totaled \$429.2 thousand. Friends of Montana Public Television provided \$1.8 million and Friends of KEMC Public Radio provided \$1.2 million in support of the University's television and radio stations.

O. Litigation Contingencies

As of June 30, 2021, there are no matters that will have a material adverse financial impact.

P. Subsequent Events

On July 1, 2021, Stockman Bank transferred the servicing of 589 loans to the Montana Board of Housing (MBOH), with a total outstanding balance at the time of transfer of \$54.0 million.

On August 1, 2021, MBOH issued direction for a full optional redemption of the series 1999A-1 multifamily bonds in the amount of \$4.1 million.

On August 31, 2021, MBOH closed on 2021 series B single family mortgage bonds in the amount of \$32.0 million.

On November 22, 2021, the MBOH closed on a multifamily housing revenue series 2021 conduit bond for the Castlebar Apartment Development in the amount of \$13.5 million.

The American Rescue Plan Act (ARPA) has provided funds to be used for a homeowner assistance fund (HAF) to prevent mortgage delinquencies and defaults, foreclosures, loss of utilities or home energy services, displacement of homeowner's insurance, utility payments, and for other specified purposes.

On February 17, 2022, the MBOH closed on single family mortgage bonds Series 2022A, in the amount of \$32.0 million.

On July 14, 2021, the Montana Facility Finance Authority (FFA) issued bonds Series 2021A of \$56.8 million and bonds Series 2021B of \$36.2 million to the Bozeman Deaconess Hospital to create new tax-exempt debt for buildings and equipment and create new taxable debt to purchase the EPIC electronic health records information system.

On July 27, 2021, the FFA issued bonds Series 2021B of \$100.0 million to Benefis Health System to fund construction of a new Helena Ambulatory Center, a new osteopathic medical school facility, and equipment upgrades across the campus.

On August 12, 2021, the FFA issued bonds Series 2021A of \$8.0 million and Series 2021B of \$18.6 million to Community Hospital of Anaconda to finance the Hospital's Infusion/Oncology Center project and to refinance existing taxable debt incurred to expand and renovate the facility.

On August 31, 2021, the FFA issued bonds of \$15.1 million to Beartooth Billings Clinic to refinance a direct loan from USDA Rural Development, the Series 2009A bonds USDA Guarantee and Series 2009B bonds unsecured. The original purpose of the 2009AB Series bonds was for the costs of design and construction of the new hospital in the Red Lodge, Montana.

On September 1, 2021, the FFA issued a trust fund loan of \$1.5 million to Rimrock Foundation to reimburse the purchase of land in Billings to consolidate services and create a central campus.

On October 20, 2021, the FFA issued Series 2021 A bonds of \$27.0 million and Series B bonds of \$10.0 million to Marcus Daly Memorial Hospital in Hamilton to fund renovation and expansion projects as well as refinance existing taxable and tax-exempt debt.

On November 15, 2021, the FFA issued Series 2021 A bonds to Billings Clinics of \$150.0 million to be used as a capital expansion to broaden the clinic's service lines and market reach.

On August 30, 2021, Montana State University (MSU) announced a \$101.0 million philanthropic gift to the College of Nursing from Mark and Robyn Jones to address healthcare access to rural communities. This gift, the largest in MSU history, will provide funding for new nursing education facilities across Montana in addition to scholarships and endowed professorships.

On October 19, 2021, MSU issued new debt and restructured portions of existing debt, non-taxable series G 2021 (\$45.6 million) and taxable series H 2021 (\$72.2 million). With the proceeds, \$40.3 million of new

debt will go towards the construction of the upcoming Student Wellness Center and the remainder being a refunding of series' 2012N, 2012O, 2013A, and 2016C. This transaction also enabled MSU to adopt and to operate under an Amended and Restated Indenture of Trust, 2021, that modernizes and broadens the MSU revenue pledge to include auxiliary facility gross pledged revenues, land grant income, indirect cost recovery payments, and all other unrestricted revenues of the University except tuition, student association-controlled activity fees, ad valorem property taxes, and State grants and appropriations.

On December 31, 2021, the MSU-Northern Foundation received a charitable gift of 42.969 acres of real property valued at \$1.9 million. The gift is for the Foundation to leverage the property to assist MSU-Northern in executing the build out of a proposed equine center.

On February 25, 2022, MSU announced a \$50 million philanthropic gift from the Gianforte Family Foundation. The gift is dedicated to constructing a new building to house the Gianforte School of Computing and computing-related fields such as cybersecurity, optics and photonics, electrical and computer engineering, and creative industries. The gift ties for the second largest in the university's history and is one of the largest philanthropic gifts in the history of Montana.

On March 12, 2021, Montana State Fund's board declared \$20.0 million dividend to be distributed in May 2021 to eligible policyholders for the 2018 policy year.

In March 2020 when the COVID-19 outbreak was declared a global pandemic, the University of Montana (UM) responded to the health crisis by moving to remote deliver of its courses. Remote delivery was continued in fiscal year 2021. This contributed to a decline in tuition and fees revenue of \$8.1 million, or approximately 8.0 percent, and a decline in excess of \$12.9 million in sales and service and auxiliary revenues, or over 23.0 percent. While UM received funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, it was not sufficient to offset all mitigation costs and loss of operation revenues. At the start of fiscal year 2022, UM returned to delivery of courses face-to-face and resumed normal operations for a majority of operating activities.

Q. Commitments

Montana State Fund (MSF or New Fund) is in a multi-year project to replace its legacy policy management system. Implementation of the core policy management and billing transaction systems, as well as the supporting digital portals, is expected to begin in 2021 and total expenditures are estimated to be \$39.2M. The total project cost through December 31, 2020 was \$33.3M. The next phase to develop remaining enhancement features will be planned and arranged with consulting services towards the end of 2021. Costs during the application development phase are being capitalized and recorded as construction work in process until the system is deployed.

As of June 30, 2021, Montana State University (MSU) had issued purchase orders committing the expenditure of approximately \$23.1 million for equipment, supplies, and services which had not yet been received.

As of June 30, 2021, MSU had remaining budget authority on significant capital construction and renovation projects underway of approximately \$41.1 million. These projects include projects that are administered by the State Architecture and Engineering Division (A & E) and non A & E managed projects. Select projects are funded wholly or partially by the State's Long Range Building Program, and do not represent a commitment of funds on the part of MSU.

As of June 30, 2021, the University of Montana (UM) has spent \$16.1 million of \$48.6 million in budget authorizations for capital and maintenance projects.

NOTE 19. MATERIAL VIOLATIONS OF FINANCE-RELATED LEGAL PROVISIONS**Constitutionality of Retirement Plan Funding**

The Montana Constitution, Article VIII, Section 15, states that public retirement systems shall be funded on an actuarially sound basis. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is within 30 years. As of June 30, 2021, the Game Warden & Peace Officers' Retirement System (GWPORS) was not in compliance and did not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortized in 30 years or less as of the fiscal year ended June 30, 2021.

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BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Licenses/permits	\$ 142,964	\$ 142,964	\$ 142,810	\$ (154)
Taxes:				
Natural resource	73,910	73,910	68,068	(5,842)
Individual income	1,464,438	1,464,438	1,734,627	270,189
Corporate income	167,209	167,209	263,869	96,660
Property	310,394	310,394	309,495	(899)
Fuel	—	—	—	—
Other	255,740	255,740	253,940	(1,800)
Charges for services/fees/forfeits/settlements	46,638	46,638	45,488	(1,150)
Investment earnings	—	—	5,093	5,093
Sale of documents/merchandise/property	302	302	251	(51)
Rentals/leases/royalties	10	10	8	(2)
Contributions/premiums	(274)	(274)	—	274
Grants/contracts/donations	21	21	13,665	13,644
Federal	21,117	21,117	10,767	(10,350)
Federal indirect cost recoveries	38	38	164	126
Other revenues	127	127	379	252
Total revenues	2,482,634	2,482,634	2,848,624	365,990
EXPENDITURES				
Current:				
General government	409,511	409,511	385,619	23,892
Public safety	346,427	346,427	310,373	36,054
Transportation	213	213	174	39
Health and human services	566,288	566,288	490,805	75,483
Education	1,132,486	1,132,486	1,119,344	13,142
Natural resources	43,782	43,782	38,226	5,556
Debt service (Note RSI-1):				
Principal retirement	—	—	295	(295)
Interest/fiscal charges	—	—	247	(247)
Capital outlay (Note RSI-1)	—	—	7,436	(7,436)
Total expenditures	2,498,707	2,498,707	2,352,519	146,188
Excess of revenue over (under) expenditures	(16,073)	(16,073)	496,105	512,178
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	—	—	—	—
General capital asset sale proceeds	107	107	119	12
Refunding bond issued	—	—	—	—
Payment to refunding bond escrow agent	—	—	—	—
Bond premium	—	—	—	—
Bond proceeds	—	—	—	—
Energy conservation loans	—	—	—	—
Transfers in (Note 12)	81,943	81,943	85,085	3,142
Transfers out (Note 12)	(279,411)	(279,411)	(330,993)	(51,582)
Total other financing sources (uses)	(197,361)	(197,361)	(245,789)	(48,428)
Net change in fund balances (Budgetary basis)	(213,434)	(213,434)	250,316	463,750
RECONCILIATION OF BUDGETARY/GAAP REPORTING				
1. Securities lending income	—	—	39	39
2. Securities lending costs	—	—	(10)	(10)
3. Inception of lease/installment contract	—	—	193	193
4. Adjustments for nonbudgeted activity	—	—	—	—
(GAAP basis)	(213,434)	(213,434)	250,538	463,972
Fund balance - July 1	—	—	592,810	592,810
Prior period adjustments	—	—	13,335	13,335
Increase (decrease) in inventories	—	—	(384)	(384)
Fund balances - June 30	\$ (213,434)	\$ (213,434)	\$ 856,299	\$ 1,069,733

The notes to the required supplementary information are an integral part of this schedule.

Budgetary data is not broken down to the same account level as actual financial statement data, which accounts for some of the larger variances.
 The original and final budget figures reflect adjustments to the original budget for various reasons, including legislative and executive changes.

STATE SPECIAL REVENUE FUND				FEDERAL SPECIAL REVENUE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
\$ 302,717	\$ 302,717	\$ 299,019	\$ (3,698)	\$ —	\$ —	\$ —	\$ —
82,709	82,709	64,910	(17,799)	—	—	—	—
—	—	—	—	—	—	—	—
20	20	11	(9)	—	—	—	—
20,266	20,266	20,066	(200)	—	—	—	—
264,819	264,819	274,417	9,598	—	—	—	—
170,675	170,675	171,436	761	2	2	—	(2)
130,282	130,282	134,556	4,274	7,741	7,741	7,925	184
—	—	5,167	5,167	—	—	572	572
9,927	9,927	8,967	(960)	15	15	—	(15)
1,637	1,637	1,120	(517)	—	—	—	—
34,164	34,164	35,092	928	—	—	—	—
8,200	8,200	6,580	(1,620)	100	100	44	(56)
9,449	9,449	6,079	(3,370)	5,942,744	5,942,744	4,692,258	(1,250,486)
4,697	4,697	56,502	51,805	97,487	97,487	98,207	720
3,914	3,914	3,302	(612)	1,341	1,341	1,335	(6)
1,043,476	1,043,476	1,087,224	43,748	6,049,430	6,049,430	4,800,341	(1,249,089)
352,348	352,244	195,503	156,741	4,016,179	4,016,179	834,438	3,181,741
103,448	103,448	85,732	17,716	82,003	82,003	58,076	23,927
353,920	353,920	254,862	99,058	739,242	739,242	129,320	609,922
257,915	257,915	217,830	40,085	3,482,647	3,482,647	2,710,754	771,893
89,955	89,955	85,051	4,904	922,666	922,666	289,715	632,951
415,748	415,748	216,845	198,903	229,238	229,238	128,353	100,885
—	—	2,994	(2,994)	—	—	135	(135)
—	—	1,230	(1,230)	—	—	11	(11)
—	—	88,961	(88,961)	—	—	427,568	(427,568)
1,573,334	1,573,230	1,149,008	424,222	9,471,975	9,471,975	4,578,370	4,893,605
(529,858)	(529,754)	(61,784)	467,970	(3,422,545)	(3,422,545)	221,971	3,644,516
50	50	437	387	—	—	—	—
556	556	617	61	—	—	—	—
24,875	24,875	24,896	21	—	—	—	—
—	—	(23,935)	(23,935)	—	—	—	—
—	—	8,799	8,799	—	—	—	—
65,724	65,724	56,904	(8,820)	—	—	—	—
—	—	149	149	—	—	—	—
323,874	323,874	209,877	(113,997)	1,683,884	1,683,884	2,058	(1,681,826)
(100,956)	(100,956)	(63,008)	37,948	(2,877,747)	(2,877,747)	(229,171)	2,648,576
314,123	314,123	214,736	(99,387)	(1,193,863)	(1,193,863)	(227,113)	966,750
(215,735)	(215,631)	152,952	368,583	(4,616,408)	(4,616,408)	(5,142)	4,611,266
—	—	47	47	—	—	—	—
—	—	(10)	(10)	—	—	—	—
—	—	4,137	4,137	—	—	57	57
—	—	(11,899)	(11,899)	—	—	—	—
(215,735)	(215,631)	145,227	360,858	(4,616,408)	(4,616,408)	(5,085)	4,611,323
—	—	1,836,115	1,836,115	—	—	0	(6,799)
—	—	(591)	(591)	—	—	564	564
—	—	(1,551)	(1,551)	—	—	—	—
\$ (215,735)	\$ (215,631)	\$ 1,979,200	\$ 2,194,831	\$ (4,616,408)	\$ (4,616,408)	\$ (11,320)	\$ 4,605,088

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 1. BUDGETARY REPORTING

A. State Budget Process

The Montana Legislature meets in the odd-numbered years to prepare annual budgets for the next biennium. The Constitution requires that legislative appropriations not exceed available revenues. The Legislature uses revenue estimates in the budgetary process to establish appropriation levels. Expenditures may not legally exceed budget appropriations at the fund level. In addition, the State Constitution prohibits borrowing to cover deficits incurred because appropriations exceeded anticipated revenues. State law requires an appropriation for disbursements from the general, special revenue and capital projects funds, except for those special revenue funds from non-state and non-federal sources restricted by law or by the terms of an agreement. The level of budgetary control is established by fund type, except capital project funds, which are at project level. Budgets may be established in other funds for administrative purposes.

Agency budget requests are submitted to the Governor, and the Legislative Fiscal Division receives a copy. The Office of Budget and Program Planning (OBPP) and the Governor analyze the requests, establish priorities, and develop the requests into the executive budget request submitted to the Legislature. Joint appropriations subcommittee hearings are held, and an omnibus appropriation bill is reported in the House and subsequently sent to the Senate. The Legislature generally enacts one bill to establish the majority of appropriations for the next two fiscal years. OBPP establishes appropriations for each program by accounting entity (fund) within an agency. The Legislature enacts other appropriations, but only within the available revenue. Agencies must prepare and submit to the budget director operational plans showing the allocation of operating budgets by expenditure category (i.e., personal services, operating expenses, equipment, etc.). The budget director or other statutorily designated approving authority may authorize changes among expenditure categories and transfers between program appropriations.

Appropriations may not be increased by amendment in the General Fund. However, a department, institution, or agency of the executive branch desiring authorization to make expenditures from the General Fund during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium may apply for authorization from the Governor through the budget director. In the second year of the biennium, during the legislative session, the Legislature may authorize supplemental appropriations. The Governor, or designee, may approve budget amendments for non-general fund monies not available for consideration by the Legislature and for emergencies. In the accompanying financial schedule, original and final budget amounts are reported. There were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.

Appropriations for debt service activities are continuing through statutory authority until the obligation is extinguished. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided. Appropriations for capital projects funds are not made on an annual basis, but are adopted on a project-length basis. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

Appropriations may be continued into the next fiscal year when authorized by the Legislature or the Governor's Office. After fiscal year-end, appropriations that are not continued are reverted. The reverted appropriations remain available for one fiscal year for expenditures that exceed the amount accrued or encumbered. Fund balances are not reserved for reverted appropriations. For fiscal year 2021, reverted governmental fund appropriations were as follows: \$96.6 million in the General Fund, \$260.7 million in the State Special Revenue Fund, and \$332.0 million in the Federal Special Revenue Fund. Agencies are allowed to carry forward 30.0% of their reverted operating appropriations into the next two fiscal years. This amount can be used for new expenditures at the request of the agency and upon approval of OBPP.

B. Budget Basis

The Legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with Generally Accepted Accounting Principles (GAAP). The budget basis differs from GAAP

for encumbrances outstanding at fiscal year-end, compensated absences, capital assets and inventories purchased in proprietary funds, certain loans from governmental funds, and other miscellaneous non-budgeted activity.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 2. PENSION PLAN INFORMATION

Required Supplementary Information State of Montana as an Employer Entity

Judges' Retirement System Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios ¹ For the Fiscal Year Ended June 30 (dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)							
Service costs	\$ 1,748	\$ 1,772	\$ 1,664	\$ 1,628	\$ 1,578	\$ 1,653	\$ 1,594
Interest	4,842	4,458	4,503	4,044	3,986	3,934	3,824
Differences between expected and actual experience	(262)	2,743	(2,901)	862	(1,341)	(1,032)	—
Changes of assumptions	1,912	—	—	3,865	—	—	—
Refunds of contributions	—	—	(149)	—	—	—	—
Benefit payments	(4,038)	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Net change in total pension liability	4,202	5,127	(606)	6,845	807	1,514	2,395
Total pension liability – beginning	65,319	60,192	60,798	53,953	53,146	51,632	49,237
Total pension liability – ending	\$ 69,521	\$ 65,319	\$ 60,192	\$ 60,798	\$ 53,953	\$ 53,146	\$ 51,632
Plan Fiduciary Net Position							
Contributions – employer	\$ 1,988	\$ —	\$ 1,085	\$ 1,800	\$ 1,806	\$ 1,684	\$ 1,651
Contributions – member	560	517	575	488	729	534	481
Net investment income	2,827	5,687	8,467	10,368	1,779	3,843	12,421
Refunds of contributions	—	—	(149)	—	—	—	—
Benefit payments	(4,038)	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Administrative expense	(157)	(123)	(264)	(254)	(197)	(136)	(100)
Other	—	—	7	—	(3)	—	—
Net change in plan fiduciary net position	1,180	2,235	5,998	8,848	698	2,884	11,430
Plan fiduciary net position - beginning	104,886	102,651	96,653	87,805	87,107	84,223	72,793
Plan fiduciary net position - ending	\$ 106,066	\$ 104,886	\$ 102,651	\$ 96,653	\$ 87,805	\$ 87,107	\$ 84,223
Net Pension (Asset) – Beginning	\$ (39,567)	\$ (42,459)	\$ (35,855)	\$ (33,852)	\$ (33,961)	\$ (32,591)	\$ (23,556)
Net Pension (Asset) – Ending	\$ (36,545)	\$ (39,567)	\$ (42,459)	\$ (35,855)	\$ (33,852)	\$ (33,961)	\$ (32,591)
Plan fiduciary net position as a percentage of TPL	152.57%	160.58%	170.54%	158.97%	162.74%	163.90%	163.12%
Covered payroll	\$ 8,001	\$ 7,382	\$ 7,291	\$ 6,974	\$ 6,920	\$ 6,525	\$ 6,355
Net pension (asset) as a percentage of covered payroll	(456.76)%	(535.99)%	(582.35)%	(514.12)%	(489.19)%	(521.00)%	(513.00)%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30
(in thousands)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 2,138	\$ 1,988	\$ —	\$ 1,085	\$ 1,800	\$ 1,786	\$ 1,684
Contributions made in relation to the contractually required contributions	2,138	1,988	—	1,085	1,800	1,786	1,684
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 8,282	\$ 8,001	\$ 7,382	\$ 7,291	\$ 6,974	\$ 6,920	\$ 6,525
Contributions as a percentage of covered payroll	25.82%	24.85%	0.00%	14.88%	25.81%	26.00%	26.00%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Judges' Retirement System
Notes to Required Supplementary Information
For the Year Ended June 30, 2021

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0%
Total salary increases	3.50%, including inflation
Inflation	2.40%
Investment rate of return	7.34%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.08%

Changes of assumptions: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**Required Supplementary Information
State of Montana as an Employer Entity**

**Highway Patrol Officers' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios ¹
For the Fiscal Year Ended June 30**

(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)							
Service costs	\$ 3,337	\$ 3,453	\$ 3,643	\$ 3,665	\$ 3,799	\$ 3,598	\$ 3,464
Interest	17,688	16,926	16,294	15,121	14,545	14,113	13,518
Changes in benefits	—	—	—	—	—	1,856	—
Difference between expected and actual experience	(993)	2,413	590	2,774	18	267	—
Changes of assumptions	141,055	—	—	7,892	—	—	—
Benefit payments	(12,685)	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Refunds of contributions	(331)	(582)	(322)	(245)	(94)	—	—
Net change in total pension liability	148,071	10,147	8,659	18,170	7,786	9,833	7,539
Total pension liability – beginning	237,728	227,581	218,922	200,752	192,966	183,133	175,594
Total pension liability – ending	<u>\$ 385,799</u>	<u>\$ 237,728</u>	<u>\$ 227,581</u>	<u>\$ 218,922</u>	<u>\$ 200,752</u>	<u>\$ 192,966</u>	<u>\$ 183,133</u>
Plan Fiduciary Net Position							
Contributions – employer	\$ 6,003	\$ 5,845	\$ 5,858	\$ 5,782	\$ 5,916	\$ 5,840	\$ 5,736
Contributions – non-employer	226	233	250	263	243	—	—
Contributions – member	2,170	2,002	2,387	1,950	1,917	1,624	1,458
Net investment income	4,101	8,269	12,283	15,099	2,605	5,738	18,677
Benefit payments	(12,685)	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Administrative expense	(163)	(127)	(256)	(248)	(197)	(144)	(109)
Refunds of contributions	(331)	(582)	(322)	(245)	(94)	—	—
Other	(131)	2	8	—	(2)	—	—
Net change in plan fiduciary net position	(810)	3,579	8,662	11,564	(94)	3,057	16,319
Plan fiduciary net position – beginning	152,778	149,199	140,537	128,973	129,067	126,010	109,691
Plan fiduciary net position – ending	<u>\$ 151,968</u>	<u>\$ 152,778</u>	<u>\$ 149,199</u>	<u>\$ 140,537</u>	<u>\$ 128,973</u>	<u>\$ 129,067</u>	<u>\$ 126,010</u>
Net Pension Liability – Beginning	<u>\$ 84,950</u>	<u>\$ 78,382</u>	<u>\$ 78,385</u>	<u>\$ 71,779</u>	<u>\$ 63,899</u>	<u>\$ 57,123</u>	<u>\$ 65,903</u>
Net Pension Liability – Ending	<u>\$ 233,831</u>	<u>\$ 84,950</u>	<u>\$ 78,382</u>	<u>\$ 78,385</u>	<u>\$ 71,779</u>	<u>\$ 63,899</u>	<u>\$ 57,123</u>
Plan fiduciary net position as a percentage of TPL	39.39%	64.27%	65.56%	64.20%	64.24%	67.00%	69.00%
Covered payroll	\$ 15,608	\$ 15,178	\$ 15,251	\$ 14,779	\$ 15,276	\$ 14,549	\$ 14,149
Net pension liability as a percentage of covered payroll	1498.15%	559.69%	513.95%	530.38%	469.88%	439.00%	404.00%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 6,599	\$ 6,209	\$ 6,051	\$ 5,843	\$ 5,706	\$ 6,161	\$ 5,782
Contributions in relation to the contractually required contributions	6,599	6,209	6,051	5,843	5,706	6,161	5,782
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 16,631	\$ 15,608	\$ 15,178	\$ 15,251	\$ 14,779	\$ 15,276	\$ 14,549
Contributions as a percentage of covered payroll	39.68%	39.78%	39.87%	38.31%	38.61%	40.00%	40.00%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information
Highway Patrol Officers' Retirement System
For the Year Ended June 30, 2021

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.40%
Investment rate of return	7.34%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.18%

Changes of assumptions: The discount rate was lowered from 7.65% to 4.43%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**Required Supplementary Information
State of Montana as an Employer Entity**

**Game Wardens' and Peace Officers' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios ¹
For the Fiscal Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)							
Service costs	\$ 8,029	\$ 8,004	\$ 8,098	\$ 8,623	\$ 8,403	\$ 8,008	\$ 7,850
Interest	18,535	17,618	16,018	14,269	12,911	12,398	11,258
Difference between expected and actual experience	(2,027)	(4,728)	4,781	3,743	2,705	731	—
Changes of assumptions	85,967	—	—	5,878	—	—	—
Benefit payments	(8,247)	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Refunds of contributions	(1,200)	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Net change in total pension liability	101,057	12,543	21,269	25,667	17,885	15,785	13,879
Total pension liability – beginning	247,013	234,470	213,201	187,534	169,649	153,864	139,985
Total pension liability – ending	<u>\$ 348,070</u>	<u>\$ 247,013</u>	<u>\$ 234,470</u>	<u>\$ 213,201</u>	<u>\$ 187,534</u>	<u>\$ 169,649</u>	<u>\$ 153,864</u>
Plan Fiduciary Net Position							
Contributions - employer	\$ 4,868	\$ 4,686	\$ 4,613	\$ 4,464	\$ 4,278	\$ 4,088	\$ 3,762
Contributions - member	5,803	5,566	5,512	5,278	5,036	4,924	4,462
Net investment income	5,583	11,125	15,573	18,590	3,167	6,435	20,069
Benefit payments	(8,247)	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Administrative expense	(241)	(202)	(369)	(329)	(269)	(200)	(162)
Refunds of contributions	(1,200)	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Other	(4)	1	(19)	(1)	(31)	—	—
Net change in plan fiduciary net position	6,562	12,825	17,682	21,156	6,047	9,895	22,902
Plan fiduciary net position – beginning	206,348	193,523	175,841	154,685	148,638	138,743	115,841
Plan fiduciary net position – ending	<u>\$ 212,910</u>	<u>\$ 206,348</u>	<u>\$ 193,523</u>	<u>\$ 175,841</u>	<u>\$ 154,685</u>	<u>\$ 148,638</u>	<u>\$ 138,743</u>
Net Pension Liability – Beginning	<u>\$ 40,665</u>	<u>\$ 40,947</u>	<u>\$ 37,360</u>	<u>\$ 32,849</u>	<u>\$ 21,011</u>	<u>\$ 15,121</u>	<u>\$ 24,144</u>
Net Pension Liability – Ending	<u>\$ 135,160</u>	<u>\$ 40,665</u>	<u>\$ 40,947</u>	<u>\$ 37,360</u>	<u>\$ 32,849</u>	<u>\$ 21,011</u>	<u>\$ 15,121</u>
Plan fiduciary net position as a percentage of TPL	61.17%	83.54%	82.54%	82.48%	82.48%	87.00%	90.00%
Covered payroll	\$ 53,825	\$ 51,677	\$ 50,823	\$ 49,381	\$ 47,108	\$ 44,885	\$ 41,637
Net pension liability as a percentage of covered payroll	251.11%	78.69%	80.57%	75.66%	69.73%	47.00%	36.00%

**Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 5,394	\$ 4,837	\$ 4,644	\$ 4,574	\$ 4,447	\$ 4,240	\$ 4,040
Contributions in relation to the contractually required contributions	5,394	4,837	4,644	4,574	4,447	4,240	4,040
Contribution deficiency/(excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 60,023	\$ 53,825	\$ 51,677	\$ 50,823	\$ 49,381	\$ 47,108	\$ 44,885
Contributions as a percentage of covered payroll	8.99%	8.99%	8.99%	9.00%	9.01%	9.00%	9.00%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
Game Wardens' and Peace Officers' Retirement System
For the Year Ended June 30, 2021**

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.40%
Investment rate of return	7.34%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.16%

Changes of assumptions: The discount rate was lowered from 7.65% to 5.65%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**Required Supplementary Information
State of Montana as an Employer Entity**

**Public Employees' Retirement System-Defined Benefit Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	48.997235%	39.140686%	39.546272%	53.049189%	53.241100%	53.611080%	53.223780%
Employer's proportionate share of the net pension liability	\$ 1,292,651	\$ 818,162	\$ 825,387	\$ 1,033,200	\$ 906,880	\$ 749,414	\$ 663,174
Employer's covered payroll	\$ 654,193	\$ 638,674	\$ 640,177	\$ 648,671	\$ 621,755	\$ 620,286	\$ 597,083
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	197.59%	128.10%	128.93%	159.28%	145.86%	120.82%	111.07%
Plan fiduciary net position as a percentage of the total pension liability	68.90%	73.85%	73.47%	74.00%	75.00%	78.00%	80.00%

**Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 78,878	\$ 58,504	\$ 56,183	\$ 54,844	\$ 56,256	\$ 59,073	\$ 58,575
Contributions in relation to the contractually required contributions	78,878	58,504	56,183	54,844	56,256	59,073	58,575
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 715,875	\$ 654,193	\$ 638,674	\$ 640,177	\$ 648,671	\$ 621,755	\$ 620,286
Contributions as a percentage of covered payroll	11.02%	8.94%	8.80%	8.57%	8.67%	9.50%	9.44%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2021**

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020.

The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0% to 4.80%
Total salary increases	3.50% to 8.47%, including inflation
Inflation	2.40%
Investment rate of return	7.34%, includes inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.30%

Changes of assumptions: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**Required Supplementary Information
State of Montana as a Nonemployer Entity**

**Public Employees' Retirement System-Defined Benefit Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	14.215404%	24.411533%	24.917247%	1.007464%	0.956169%	0.956090%	0.961287%
Nonemployer's proportionate share of the net pension liability	\$ 375,032	\$ 510,277	\$ 520,058	\$ 19,622	\$ 16,287	\$ 13,365	\$ 11,978
Plan fiduciary net position as a percentage of the total pension liability	68.90%	73.85%	73.47%	74.00%	75.00%	78.00%	80.00%

**Schedule of Nonemployer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 21,180	\$ 35,008	\$ 34,642	\$ 34,706	\$ 28,763	\$ 30,800	\$ 32,397
Contributions in relation to the contractually required contributions	21,180	35,008	34,642	34,706	28,763	30,800	32,397
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2021**

Method and assumptions used in calculations of contractually determined contributions: The contractually determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2020, are as follows:

Special Funding

The State contributes 0.1% of member compensation on behalf of local government entities per Section 19-3-319, MCA.

The State contributes 0.37% of member compensation on behalf of school district entities per Section 19-3-319, MCA.

The State contributes a statutory appropriation from General Fund per Section 19-3-320, MCA.

Changes of assumptions: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**Required Supplementary Information
State of Montana as an Employer Entity**

**Sheriffs' Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	4.758893%	4.876949%	4.872800%	4.856692%	5.454386%	5.637055%	5.535000%
Employer's proportionate share of the net pension liability	\$ 5,800	\$ 4,067	\$ 3,663	\$ 3,696	\$ 9,582	\$ 5,434	\$ 2,304
Employer's covered payroll	\$ 4,041	\$ 3,915	\$ 3,781	\$ 3,634	\$ 3,850	\$ 3,836	\$ 3,580
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	143.53%	103.88%	96.88%	101.71%	248.88%	141.66%	64.36%
Plan fiduciary net position as a percentage of the total pension liability	75.92%	81.89%	82.68%	81.00%	63.00%	75.00%	87.00%

**Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 607	\$ 530	\$ 513	\$ 496	\$ 368	\$ 389	\$ 388
Contributions in relation to the contractually required contributions	607	530	513	496	368	389	388
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 4,628	\$ 4,041	\$ 3,915	\$ 3,781	\$ 3,634	\$ 3,850	\$ 3,836
Contributions as a percentage of covered payroll	13.12%	13.12%	13.10%	13.12%	10.13%	10.10%	10.11%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year ended June 30, 2021**

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020. The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage Inflation	3.50%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.40%
Investment rate of return	7.34%, includes inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, set back 1 year for males
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.16%

Changes of assumptions: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Municipal Peace Officers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30
(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	66.853347%	67.063878%	67.124706%	67.085433%	66.499650%	66.954111%	66.888728%
Nonemployer's proportionate share of the net pension liability	\$ 163,514	\$ 133,487	\$ 114,956	\$ 119,354	\$ 119,708	\$ 110,756	\$ 105,106
Plan fiduciary net position as a percentage of the total pension liability	64.84%	68.84%	70.95%	68.00%	66.00%	67.00%	67.00%

Schedule of Nonemployer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 17,395	\$ 16,677	\$ 15,941	\$ 15,283	\$ 13,215	\$ 13,752	\$ 13,433
Contributions in relation to the contractually required contributions	17,395	16,677	15,941	15,283	13,215	13,752	13,433
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2021

Method and assumptions used in calculations of contractually determined contributions: The contractually determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2020, are as follows:

The State contributes 29.37% of member compensation on behalf of all employer entities per Section 19-9-702, MCA.

Changes of assumptions: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**Required Supplementary Information
State of Montana as an Employer Entity**

**Firefighters' Unified Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.378643%	2.013129%	2.300917%	2.233929%	2.261523%	2.399255%	1.850026%
Employer's proportionate share of the net pension liability	\$ 3,722	\$ 2,309	\$ 2,650	\$ 2,525	\$ 2,583	\$ 2,454	\$ 1,806
Employer's covered payroll	\$ 1,276	\$ 1,051	\$ 1,103	\$ 1,022	\$ 974	\$ 986	\$ 735
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	291.69%	219.70%	240.25%	247.06%	265.20%	249.00%	245.00%
Plan fiduciary net position as a percentage of the total pension liability	75.34%	80.08%	79.03%	78.00%	75.00%	77.00%	77.00%

**Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 665	\$ 599	\$ 494	\$ 518	\$ 472	\$ 475	\$ 142
Contributions in relation to the contractually required contributions	665	599	494	518	472	475	142
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 1,415	\$ 1,276	\$ 1,051	\$ 1,103	\$ 1,022	\$ 974	\$ 986
Contributions as a percentage of covered payroll	47.00%	46.94%	47.00%	46.96%	46.18%	49.00%	14.40%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2021**

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020. The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.40%
Investment rate of return	7.34%, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin as a % of payroll	0.13%

Changes of assumptions: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity**

**Firefighters' Unified Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.656380%	69.323577%	67.972164%	67.876338%	67.809541%	67.358196%	68.005182%
Nonemployer's proportionate share of the net pension liability	\$ 105,867	\$ 79,524	\$ 78,285	\$ 76,724	\$ 77,448	\$ 68,892	\$ 66,384
Plan fiduciary net position as a percentage of the total pension liability	75.34%	80.08%	79.03%	78.00%	75.00%	77.00%	77.00%

**Schedule of Nonemployer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 17,897	\$ 17,147	\$ 16,209	\$ 15,272	\$ 14,042	\$ 13,635	\$ 13,573
Contributions in relation to the contractually required contributions	17,897	17,147	16,209	15,272	14,042	13,635	13,573
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2021**

Method and assumptions used in calculations of statutorily determined contributions: The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2020, are as follows:

The State contributes 32.61% of member compensation on behalf of all employer entities per Section 19-13-604, MCA.

Changes of assumptions: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity**

**Volunteer Firefighters' Compensation Act
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30**

(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	100%	100%	100%	100%	100%	100%	100%
Nonemployer's proportionate share of the net pension liability	\$ 9,106	\$ 6,907	\$ 7,667	\$ 10,087	\$ 10,599	\$ 10,504	\$ 5,089
Plan fiduciary net position as a percentage of the total pension liability	81.42%	85.23%	83.48%	78.00%	76.00%	76.00%	87.00%

**Schedule of Nonemployer Contributions ¹
For the Fiscal Year Ended June 30**

(dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 2,578	\$ 2,475	\$ 2,361	\$ 2,207	\$ 2,054	\$ 2,024	\$ 1,913
Contributions in relation to the contractually required contributions	2,578	2,475	2,361	2,207	2,054	2,024	1,913
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2021**

Method and assumptions used in calculations of actuarially determined contributions: The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2020, are as follows:

The State contributes 5% of certain fire tax insurance premiums paid per Section 19-17-301, MCA.

Changes of assumptions: The discount rate was lowered from 7.65% to 7.34%. The investment rate of return was lowered from 7.65% to 7.34%. The inflation rate was reduced from 2.75% to 2.40%.

**Required Supplementary Information
State of Montana as an Employer Entity**

**Teachers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.303331%	2.411113%	2.554088%	2.860298%	3.121008%	3.422388%	4.689747%
Employer's proportionate share of the net pension liability	\$ 51,812	\$ 46,493	\$ 47,407	\$ 48,227	\$ 57,016	\$ 56,230	\$ 72,168
Employer's covered payroll	\$ 22,384	\$ 23,250	\$ 24,275	\$ 26,944	\$ 28,915	\$ 31,252	\$ 32,937
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	231.47%	199.97%	195.29%	178.99%	197.18%	179.00%	219.00%
Plan fiduciary net position as a percentage of the total pension liability	64.95%	68.64%	69.09%	70.00%	67.00%	69.00%	70.00%

**Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 16,103	\$ 16,686	\$ 16,538	\$ 17,298	\$ 17,396	\$ 16,946	\$ 16,234
Contributions in relation to the contractually required contributions	16,103	16,686	16,538	17,298	17,396	16,946	16,234
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 21,776	\$ 22,384	\$ 23,250	\$ 24,275	\$ 26,944	\$ 28,915	\$ 31,252
Contributions as a percentage of covered payroll	73.95%	74.54%	71.13%	71.26%	64.56%	58.00%	52.00%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2021**

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020. The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.25%
Merit increase	0 to 4.51% for non-university members and 1.00% for university members
Total salary increases	3.25% to 7.76% for non-university members and 4.25% for university members, including inflation
Inflation	2.40%
Investment rate of return	7.34%, net of pension plan investment expense, and including inflation
Mortality (healthy)	RP-2000 Healthy Combined mortality table projected to 2022 adjusted for partial credibility setback for 2 years
Mortality (disabled)	RP-2000 Disabled mortality table for males set back 3 years, for females set forward 2 years
Admin as a % of payroll	0.45%

Changes of assumptions: The discount rate was lowered from 7.50% to 7.34%. The investment rate of return was lowered from 7.50% to 7.34%. The inflation rate was reduced from 2.50% to 2.40%.

**Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity**

**Teachers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	36.554642%	37.112880%	37.735743%	38.133267%	38.729473%	39.384625%	38.777294%
Nonemployer's proportionate share of the net pension liability	\$ 822,282	\$ 715,637	\$ 700,417	\$ 642,958	\$ 707,527	\$ 647,092	\$ 596,724
Plan fiduciary net position as a percentage of the total pension liability	64.95%	68.64%	69.09%	70.00%	67.00%	69.00%	70.00%

**Schedule of Nonemployer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 46,701	\$ 44,841	\$ 44,333	\$ 43,718	\$ 43,028	\$ 42,400	\$ 42,806
Contributions in relation to the contractually required contributions	46,701	44,841	44,333	43,718	43,028	42,400	42,806
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2021**

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2020, are as follows:

The State contributes 0.11% of the compensation of members participating per Section 19-20-604, MCA.

The State contributes 2.38% of member compensation on behalf of school district and community college entities per Section 19-20-607, MCA.

The State contributes a \$25.0 million payment from the General Fund per Section 19-20-607, MCA.

Changes of assumptions: The discount rate was lowered from 7.50% to 7.34%. The investment rate of return was lowered from 7.50% to 7.34%. The inflation rate was reduced from 2.50% to 2.40%.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 3. OTHER POSTEMPLOYMENT BENEFITS PLAN INFORMATION (OPEB)

The State of Montana and MUS OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of the Total OPEB Liability in the related financial statements and note disclosures.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for the State of Montana OPEB plan.

Total OPEB Liability and Related Ratios				
Last 10 Fiscal Years ⁽¹⁾				
(in thousands)				
Total OPEB Liability	2021	2020	2019	2018
Service cost	\$ 1,734	\$ 1,946	\$ 2,062	\$ 1,889
Interest	1,333	1,586	1,990	2,014
Difference between expected and actual experience	(6,137)	(9,409)	—	(4,723)
Changes of assumptions or other inputs	104,439	(1,877)	2,895	(295)
Benefit payments	(1,196)	(601)	(1,709)	1,705
Net change in Total OPEB Liability	100,173	(8,355)	5,238	590
Total OPEB Liability - Beginning	47,342	55,697	50,459	49,869
Total OPEB Liability - Ending	\$ 147,515	\$ 47,342	\$ 55,697	\$ 50,459
State and discretely presented component units' proportion of the collective Total OPEB Liability	100 %	100 %	100 %	100 %
Covered employee payroll	\$ 689,871	\$ 690,563	\$ 702,688	\$ 675,661
Total OPEB Liability as a percentage of covered employee payroll	21.38 %	6.86 %	7.93 %	7.47%

⁽¹⁾ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Note to Schedule: No assets are accumulated in a trust that meets the criteria of GASB 75.

Factors that significantly affect trends in the amounts reported:

Changes in Actuarial Assumptions and Methods

June 30, 2021: Changes in assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%.

June 30, 2020: Changes in actuarial assumptions include a participation rate reduction from 55% to 40% based on recent experience study, a revision to rates per the Retirement System pension valuations as of July 1, 2019, and the interest/discount rate was based on the average of multiple March 31, 2020 municipal bond rate sources.

June 30, 2019: Changes in actuarial assumptions include interest rate based upon March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

June 30, 2018: Changes in actuarial methods include adjustments to the amortization period and actuarial cost method to conform with GASB 75 requirements. Changes in actuarial assumptions include revised rates per the retirement system pension valuations as of July 1, 2017 and interest rate based upon the March 31, 2018, 20-year municipal bond index per GASB 75 requirements. Other changes include revised rates based on actual data and projected trend and updated projected healthcare trend rates to follow the Getzen model.

Changes in Benefit Terms

June 30, 2021: None

June 30, 2020: None

June 30, 2019: None

June 30, 2018: Medical plans moved from Cigna to Allegiance as of January 1, 2016, the State implemented reference-based pricing hospital contracts effective July 1, 2016 and pharmacy moved from URx to Navitus as of January 1, 2017. The State implemented an Employer Group Waiver Program for Medicare retirees effective January 1, 2017.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for MUS plan.

Total OPEB Liability and Related Ratios

Last 10 Fiscal Years ⁽¹⁾

(in thousands)

Total OPEB Liability	2021	2020	2019	2018
Service cost	\$ 1,412	\$ 1,736	\$ 1,952	\$ 1,954
Interest	777	1,130	1,495	1,410
Difference between expected and actual experience	(17,388)	(15,015)	—	(1,323)
Changes of assumptions or other inputs	45,674	(1,791)	1,351	(182)
Benefit payments	(13)	1,441	(888)	(679)
Net change in Total OPEB Liability	30,462	(12,499)	3,910	1,180
Total OPEB Liability - Beginning	26,849	39,348	35,438	34,258
Total OPEB Liability - Ending	<u>\$ 57,311</u>	<u>\$ 26,849</u>	<u>\$ 39,348</u>	<u>\$ 35,438</u>
State and discretely presented component units' proportion of the collective Total OPEB Liability	95.18 %	94.92 %	95.59 %	95.62 %
Covered employee payroll ⁽²⁾	\$ 415,074	\$ 418,193	\$ 451,613	\$ 434,243
Total OPEB Liability as a percentage of covered employee payroll	13.81 %	6.42 %	9.11 %	8.53 %

⁽¹⁾ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

⁽²⁾ Amount reported is for the whole MUS plan for 2018 and 2019. Community Colleges were included due to lack of ability to separate covered employee payroll for those years.

Note to Schedule: No assets are accumulated in a trust that meets the criteria of GASB 75.

Factors that significantly affect trends in the amounts reported:*Changes in Actuarial Assumptions and Methods*

June 30, 2021: Changes in assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%.

June 30, 2020: Changes in actuarial assumptions include a participation rate reduction from 55% to 40% based on recent experience study, a revision to rates per the Retirement System pension valuations as of July 1, 2019, and the interest/discount rate was based on the average of multiple March 31, 2020 municipal bond rate sources.

June 30, 2019: Changes in actuarial assumptions include interest rate based upon March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

June 30, 2018: Changes in actuarial methods include adjustments to the amortization period and actuarial cost method to conform with GASB 75 requirements. Changes in actuarial assumptions include revised rates per the retirement system pension valuations as of July 1, 2017 and interest rate based upon the March 31, 2018, 20-year municipal bond index per GASB 75 requirements, lapse rates were removed to reflect a return to standard retiree contribution levels, added employees covered by the MUS-RP, changes in revised rates based on actual data and projected trend and updated projected healthcare trend rates to follow the Getzen model.

Changes of Benefit Terms

June 30, 2021: Carrier options reduced to one.

June 30, 2020: Changes in benefit terms include increased annual deductible and out-of-pocket maximums.

June 30, 2019: None

June 30, 2018: Increased deductible, increased out-of-pocket limits for Medica and RX, increased visit copays, pharmacy moved from URx to Navitus as of July 1, 2017, employer group waiver program for Medicare retirees became effective July 1, 2017, adopted combined annual visit max of 30 for multiple therapy services and massage therapy moved into rehabilitation benefit.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 4. RISK MANAGEMENT TREND INFORMATION

The following tables present risk management trend information for the Hail Insurance Fund and the MUS Group Benefits Fund. The Hail Insurance Fund pays claims within a calendar year cycle that parallels the growing season from spring planting to fall harvesting; therefore, it has no development cycle. The MUS Group Benefits Fund has a three to five-year development cycle.

The tables illustrate how the earned revenues (net of reinsurance) of the funds and their investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of the fiscal year (in thousands). Section 3 shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. Section 4 shows the cumulative amounts paid as of the end of successive years for each policy year. Section 6 shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Section 7 compares the latest re-estimated incurred claims amount to the amount originally established (Section 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. This table will be revised as data for successive policy years develops.

[illegible]

**Montana University System – Medical, Dental, Vision, Rx Claims
Claims Development Information**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
1. Premiums and investment Revenue	\$ 95,150	\$ 98,599	\$ 98,885	\$ 99,369	\$ 100,693	\$ 84,297	\$ 80,764	\$ 79,257	\$ 76,505	\$ 75,911
2. Unallocated expenses including overhead	\$ 4,617	\$ 4,691	\$ 5,150	\$ 5,111	\$ 5,196	\$ 5,129	\$ 5,198	\$ 4,787	\$ 3,938	\$ 4,063
3. Estimated losses and expenses end of accident year	\$ 103,924	\$ 96,326	\$ 93,392	\$ 90,427	\$ 85,802	\$ 87,233	\$ 87,353	\$ 71,877	\$ 69,325	\$ 64,331
4. Net paid (cumulative) as of:										
End of policy year	\$ 93,363	\$ 83,896	\$ 82,211	\$ 80,393	\$ 75,601	\$ 76,400	\$ 79,388	\$ 63,317	\$ 61,964	\$ 56,981
One year later		93,665	91,306	89,050	84,575	85,796	88,943	69,073	67,988	62,937
Two years later			91,453	89,140	84,729	85,894	89,261	69,074	68,024	62,968
Three years later				89,161	84,738	86,002	89,264	69,076	68,024	62,974
Four years later					84,740	86,038	89,271	69,076	68,024	62,974
Five years later						86,121	89,283	69,076	68,024	62,974
Six years later							89,283	69,076	68,024	62,974
Seven years later								69,076	68,024	62,974
Eight years later									68,024	62,974
Nine years later										62,974
5. Re-estimated ceded losses and expenses	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
6. Re-estimated net incurred losses and expense:										
End of policy year	\$ 103,924	\$ 96,326	\$ 93,392	\$ 90,427	\$ 85,802	\$ 87,233	\$ 87,353	\$ 71,877	\$ 69,325	\$ 64,331
One year later		95,730	93,028	89,036	84,567	86,148	88,824	71,700	68,349	63,446
Two years later			91,453	89,140	84,729	85,894	89,261	69,074	68,024	62,968
Three years later				89,161	84,738	86,002	89,264	69,076	68,024	62,974
Four years later					84,740	86,038	89,271	69,076	68,024	62,974
Five years later						86,121	89,283	69,076	68,024	62,974
Six years later							89,283	69,076	68,024	62,974
Seven years later								69,076	68,024	62,974
Eight years later									68,024	62,974
Nine years later										62,974
7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	\$ —	\$ (597)	\$ (1,940)	\$ (1,265)	\$ (1,063)	\$ (1,112)	\$ 1,931	\$ (2,800)	\$ (1,302)	\$ (1,357)

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

	Amount to Subrecipients	Expenditures
CORPORATION FOR NATIONAL & COMMUNITY SERVICE		
94.003 State Commissions		\$217,660
94.006 AmeriCorps	\$3,311,790	\$3,566,883
94.009 Training and Technical Assistance		\$147,663
94.013 Volunteers in Service to America		\$561,415
94.027 AmeriCorps VISTA Recruitment Support		\$9,857
	TOTAL	\$4,503,478
CORPORATION FOR NATIONAL & COMMUNITY SERVICE TOTAL		
		\$4,503,478
DEPARTMENT OF AGRICULTURE		
10.001 Agricultural Research Basic and Applied Research eExtension Foundation SA-2021-61		\$18,581
10.025 Plant and Animal Disease, Pest Control, and Animal Care		\$11,802
10.093 Voluntary Public Access and Habitat Incentive Program		\$1,069,586
10.156 Federal-State Marketing Improvement Program		\$103,078
10.162 Inspection Grading and Standardization		\$20,771
10.163 Market Protection and Promotion		\$25,839
10.170 Specialty Crop Block Grant Program - Farm Bill		\$92,308
10.175 Farmers Market and Local Food Promotion Program National Center for Appropriate Technology 810361047	\$457,962	\$1,943,705
10.310 Agriculture and Food Research Initiative (AFRI) University of Idaho AD 1865-884868		\$254
10.433 Rural Housing Preservation Grants		\$4,083
10.435 State Mediation Grants		\$14,964
10.475 Cooperative Agreements with States for Intrastate Meat and Poultry Inspection		(\$34,807)
10.500 Cooperative Extension Service		\$2,529
Kansas State University A00-0983-S075	\$51,140	\$1,061,879
Kansas State University A00-0983-S069		\$578,521
University of Missouri C00059381-8		\$3,077
University of Missouri C00067296-3		\$2,910
Washington State University 134191 G004011		(\$5,960)
CACFP Training Grants		\$28,913
Child Nutrition-Technology Innovation Grant		\$5,760
COVID-19 - Pandemic EBT Food Benefits		\$14,602
COVID-19 - WIC Special Supplemental Nutrition Program for Women, Infants, and Children		\$179,599
WIC Special Supplemental Nutrition Program for Women, Infants, and Children		\$27,514,501
		\$1,240,105
	\$3,628,609	\$10,033,656

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

		Amount to Subrecipients	Expenditures
10.558	COVID-19- Child and Adult Care Food Program		\$468,657
10.558	Child and Adult Care Food Program		\$7,625,149
10.560	State Administrative Expenses for Child Nutrition		\$1,275,070
10.567	Food Distribution Program on Indian Reservations	\$1,967,828	\$4,164,416
10.572	WIC Farmers' Market Nutrition Program (FMNP)		\$40,708
10.574	Team Nutrition Grants		\$336,407
10.575	Farm to School Grant Program		\$89,693
10.576	Senior Farmers Market Nutrition Program	\$35,085	\$66,200
10.578	WIC Grants To States (WGS)		\$612
10.582	Fresh Fruit and Vegetable Program		\$1,510,792
10.652	Forestry Research	\$1,426,013	\$388,173
	Arthur Carhart National Wilderness Training Center		\$2,373
10.664	Cooperative Forestry Assistance	\$2,472,632	\$4,697,882
	Gallatin County 2018-578		\$22,346
	Gallatin County 2018-579		\$21,843
10.674	Wood Utilization Assistance		\$29,236
10.676	Forest Legacy Program		\$3,211,557
10.678	Forest Stewardship Program		\$274
10.680	Forest Health Protection	\$45,900	\$74,394
	National Wilderness Stewardship Alliance WI2021		\$34
10.684	International Forestry Programs		\$3,344
10.689	Community Forest and Open Space Conservation Program (CFP)		\$28,259
10.691	Good Neighbor Authority		\$362,815
10.697	State & Private Forestry Hazardous Fuel Reduction Program	\$192,953	\$192,953
10.698	State & Private Forestry Cooperative Fire Assistance		\$11,057
10.699	Partnership Agreements		\$79,189
10.902	Soil and Water Conservation	\$62,702	\$313,506
10.912	Environmental Quality Incentives Program		\$69,654
10.924	Conservation Stewardship Program		\$108,659
10.931	Agricultural Conservation Easement Program		\$108,659
10.UXX	Miscellaneous Non-Major Grants		\$73,914
	TOTAL		\$69,308,081
Child Nutrition Cluster			
10.553	School Breakfast Program	\$1,448,530	\$1,529,562
10.555	National School Lunch Program	\$6,836,019	\$7,012,109
10.556	Special Milk Program for Children	\$4,437	\$4,437

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

	Amount to Subrecipients	Expenditures
10.559 COVID-19 - Summer Food Service Program for Children	\$29,000,000	\$29,000,000
10.559 Summer Food Service Program for Children	\$34,643,315	\$35,033,089
10.579 Child Nutrition Discretionary Grants Limited Availability	\$69,576	\$660,894
	TOTAL	\$73,240,091
Food Distribution Cluster		
10.565 Commodity Supplemental Food Program	\$286,459	\$2,086,088
10.568 COVID-19 - Emergency Food Assistance Program (Administrative Costs)	\$52,986	\$81,032
10.569 Emergency Food Assistance Program (Food Commodities)	\$394,711	\$4,476,773
	TOTAL	\$6,643,893
Forest Service Schools and Roads Cluster		
10.665 Schools and Roads - Grants to States	\$12,197,140	\$12,200,420
	TOTAL	\$12,200,420
SNAP Cluster		
10.551 Supplemental Nutrition Assistance Program		\$229,517,522
10.561 COVID-19 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		\$155,412
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	\$288,060	\$13,736,630
	TOTAL	\$243,409,564
DEPARTMENT OF AGRICULTURE TOTAL		\$404,802,049
DEPARTMENT OF COMMERCE		
11.303 Economic Development Technical Assistance		\$161,352
11.550 Public Telecommunications Facilities Planning and Construction Corporation for Public Broadcasting 1492		\$222,618
11.611 COVID-19 - Manufacturing Extension Partnership		\$175,013
11.611 Manufacturing Extension Partnership Hawaii Technology Development Oregon Manufacturing Extension	\$37,738	\$878,237
		\$84,127
		\$3,061
	TOTAL	\$1,524,408
Economic Development Cluster		
11.307 Economic Adjustment Assistance	\$3,400	\$84,292
11.307 Economic Adjustment Assistance 05-19-02445		\$318,254
11.307 Economic Adjustment Assistance 05-79-73005		\$3,082,439
	TOTAL	\$3,484,985
DEPARTMENT OF COMMERCE TOTAL		\$5,009,393

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

		Amount to Subrecipients	Expenditures
DEPARTMENT OF DEFENSE			
12.002	Procurement Technical Assistance For Business Firms		
	Big Sky Economic Development Corporation SP4800-20-2-2022		\$68,569
	Big Sky Economic Development Corporation SP4800-19-2-1922		\$8,401
12.005	Conservation and Rehabilitation of Natural Resources on Military Installations		\$386,457
12.110	Planning Assistance to States		\$330,257
12.112	Payments to States in Lieu of Real Estate Taxes		\$2,914
12.357	ROTC Language and Culture Training Grants		
	Institute of International Education, Inc. PGO1801-UMT-16-PGO-051-PO6		\$98,191
	Institute of International Education, Inc. PGO1801-UMT-16-PGO-051-PO4		(\$5,365)
12.400	Military Construction, National Guard		\$6,651,295
12.401	National Guard Military Operations and Maintenance (O&M) Projects		\$23,903,602
12.404	National Guard Challenge Program		\$4,762,158
12.579	Language Training Center		
	Institute of International Education, Inc. PGO1801-UMT-16-LTC-052-PO5		\$4,738,324
	Institute of International Education, Inc. PGO1801-UMT-16-LTC-052-PO3		\$175,489
	Institute of International Education, Inc. PGO1801-UMT-16-LTC-052-PO7		\$497,018
12.620	Troops to Teachers Grant Program		\$698,646
12.630	Basic, Applied, and Advanced Research in Science and Engineering		
	National Science Teachers Association #21-871-010		\$23,167
	Technology Student Association		\$36,557
12.903	GenCyber Grants Program		\$5,657
12.UXX	Miscellaneous Non-Major Grants	\$5,947	\$426,381
	Pacific States Marine Fisheries Commission 20-144P		\$177,685
	Pacific States Marine Fisheries Commission 21-129P		\$558,736
	Pacific States Marine Fisheries Commission 20-105P		\$1,334,112
	Pacific States Marine Fisheries Commission 21-179P		\$40,847
		TOTAL	\$44,919,098
DEPARTMENT OF EDUCATION			
		DEPARTMENT OF DEFENSE TOTAL	\$44,919,098
84.002	Adult Education - Basic Grants to States	\$1,114,639	\$1,436,128
84.010	Title I Grants to Local Educational Agencies	\$46,504,595	\$47,820,710
84.011	Migrant Education State Grant Program	\$1,315,315	\$1,494,359
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		\$207,749
84.016	Undergraduate International Studies and Foreign Language Programs	\$4,974	\$27,628
84.031	Higher Education Institutional Aid		\$749,824

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

		Amount to Subrecipients	Expenditures
84.048	Career and Technical Education -- Basic Grants to States	\$3,775,459	\$5,618,818
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States		\$9,274,285
84.144	Migrant Education Coordination Program	\$59,288	\$59,288
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind		\$250,541
84.181	Special Education-Grants for Infants and Families	\$360,964	\$1,307,155
84.184	School Safety National Activities	\$90,000	\$963,320
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities		\$355,127
84.196	Education for Homeless Children and Youth	\$227,373	\$276,282
84.287	Twenty-First Century Community Learning Centers		
84.299	Indian Education -- Special Programs for Indian Children	\$5,129,993	\$5,463,197
	Aaniih Nakoda College S299B180009		\$20,143
	Blackfeet Community College TCTC#2-386-1-5107		\$105,078
	Blackfeet Community College TCTC#2-3861-5104		\$140,277
	Blackfeet Community College S299B160026		\$7,559
	Fort Peck Community College S299B130018		\$5,485
	Fort Peck Community College ED-GRANTS-061418-001		\$3,827
84.323	Special Education - State Personnel Development	\$156,094	\$615,636
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities		\$98,663
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		\$135,920
	Helen Keller National Center 2021-116		\$57,289
	Helen Keller National Center 2020-190		\$13,758
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	\$1,944,752	\$4,041,704
84.358	Rural Education	\$930,252	\$970,411
84.365	English Language Acquisition State Grants	\$307,238	\$973,236
84.367	Supporting Effective Instruction State Grants	\$9,114,419	\$9,588,436
84.369	Grants for State Assessments and Related Activities		\$4,069,233
84.371	Comprehensive Literacy Development	\$11,654,504	\$12,022,247
84.372	Statewide Longitudinal Data Systems		\$911,101
84.377	School Improvement Grants	\$89,884	\$425,457
84.411	Education Innovation and Research (formerly Investing in Innovation (i3) Fund)		
	North American Native Research and Education Foundation 1001R		\$163,070
84.419	Preschool Development Grants	\$396,771	\$396,771
84.424	Student Support and Academic Enrichment Program	\$5,159,135	\$5,391,236
84.998	American Printing House for the Blind		\$6,421
84.UXX	Miscellaneous Non-Major Grants		\$97,230
	TOTAL		\$115,564,599

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

	Amount to Subrecipients	Expenditures
Education Stabilization Fund		
84.425C COVID-19 - Governor's Emergency Education Relief (GEER) Fund	\$789,359	\$8,342,112
84.425D COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	\$26,805,123	\$27,217,106
84.425E COVID-19 - Higher Education Emergency Relief Fund (HEERF) Student Aid Portion		\$17,641,529
84.425F COVID-19 - HEERF Institutional Portion		\$40,471,569
84.425L COVID-19 - HEERF Minority Serving Institutions (MSIs)		\$35,628
84.425M COVID-19 - HEERF Strengthening Institutions Program (SIP)		\$801,056
84.425R COVID-19 - Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance for Non-Public Schools (CRRSA EANS) program		\$13,394
	TOTAL	\$94,522,394
Special Education Cluster (IDEA)		
84.027 Special Education Grants to States	\$35,663,761	\$38,963,898
84.173 Special Education Preschool Grants	\$1,186,785	\$1,189,761
	TOTAL	\$40,153,659
Student Financial Assistance Cluster		
84.007 COVID-19 - Federal Supplemental Educational Opportunity Grants		\$2,000
84.007 Federal Supplemental Educational Opportunity Grants		\$1,719,057
84.033 Federal Work-Study Program		\$1,634,018
84.038 Federal Perkins Loan Program - Federal Capital Contributions		\$23,678,953
84.063 Federal Pell Grant Program		\$36,026,968
84.268 Federal Direct Student Loans		\$141,309,606
84.379 Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)		\$3,962
	TOTAL	\$204,374,564
TRIO Cluster		
84.042 TRIO Student Support Services		\$2,197,866
84.044 TRIO Talent Search	\$8,936	\$1,335,152
84.047 TRIO Upward Bound		\$1,870,167
	TOTAL	\$5,403,185
DEPARTMENT OF ENERGY		DEPARTMENT OF EDUCATION TOTAL
		\$460,018,402
81.041 State Energy Program		\$375,718
81.042 Weatherization Assistance for Low-Income Persons		\$3,444,301
81.086 Conservation Research and Development	\$2,416,826	
Utah Clean Cities DOE-FOA-0002014		\$2,455
81.119 State Energy Program Special Projects		
State of Utah EE0008610		\$5,748

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

			Amount to Subrecipients	Expenditure
81.121	Nuclear Energy Research, Development and Demonstration Los Alamos National Security, LLC	577352		\$15,000 \$23,676
81.138	State Heating Oil and Propane Program			\$9,452
81.UXX	Miscellaneous Non-Major Grants Pacific States Marine Fisheries Commission	20-18G		\$185,905
	Pacific States Marine Fisheries Commission	21-066G		\$25,917 \$67,557
			TOTAL	\$4,155,729
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
DEPARTMENT OF ENERGY TOTAL				
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation			\$24,127
93.042	COVID-19 - Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals		\$19,200	\$19,243
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals		\$94,519	\$100,972
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services		\$139,237	\$139,378
93.048	COVID-19 - Special Programs for the Aging, Title IV, and Title II, Discretionary Projects			\$1,454
93.051	Alzheimer's Disease Demonstration Grants to States			\$191,856
93.052	COVID-19 - National Family Caregiver Support, Title III, Part E		\$357,458	\$358,170
93.052	National Family Caregiver Support, Title III, Part E		\$930,675	\$995,352
93.068	Chronic Diseases: Research, Control, and Prevention National Association of Chronic Disease Directors (NACDD)	3192019		\$16,225
93.069	Public Health Emergency Preparedness		\$2,399,793	\$5,272,893
93.070	Environmental Public Health and Emergency Response		\$43,915	\$573,533
93.071	Medicare Enrollment Assistance Program		\$127,804	\$131,513
93.072	Lifespan Respite Care Program			\$245,666
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance			\$107,019
93.090	Guardianship Assistance			\$2,757,765
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program			\$250,328
93.103	Food and Drug Administration Research			\$250,959
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		\$84,090	\$1,333,398
93.107	COVID-19 - Area Health Education Centers		\$50,671	\$89,488
93.110	Maternal and Child Health Federal Consolidated Programs Family Voices, Inc.	2020-429		\$2,361,709
	Texas Health Institute	UH7MC30776		\$14,964
	Utah State University	PO463210-E		\$2,400
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs			\$8,698 \$178,560

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

		Amount to Subrecipients	Expenditures
93.127	Emergency Medical Services for Children		\$151,315
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices		\$139,318
93.136	Injury Prevention and Control Research and State and Community Based Programs	\$374,466	\$2,246,888
93.150	Projects for Assistance in Transition from Homelessness (PATH)	\$367,602	\$441,515
93.155	Rural Health Research Centers		
	National Rural Health Association 2020 STATE RURAL HEALTH ASSOCI		\$3,340
	National Rural Health Association 2021 SRHA TECHNICAL ASSISTANCE		\$2,572
93.165	Grants to States for Loan Repayment Program		\$150,114
93.178	Nursing Workforce Diversity		\$2
93.184	Disabilities Prevention		\$450,178
	University of Alabama NU27DD001157		\$15,291
93.217	Family Planning Services	\$750,738	\$2,074,422
93.235	Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program		\$106,680
93.236	Grants to States to Support Oral Health Workforce Activities	\$104,251	\$417,321
93.240	State Capacity Building		\$308,674
93.241	State Rural Hospital Flexibility Program	\$814,026	\$855,037
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	\$2,209,385	\$5,004,998
93.251	Universal Newborn Hearing Screening		\$140,643
93.262	Occupational Safety and Health Program		\$248,206
93.268	COVID-19 - Immunization Cooperative Agreements	\$2,994,586	\$3,942,598
93.268	Immunization Cooperative Agreements	\$378,120	\$12,432,900
93.270	Viral Hepatitis Prevention and Control		\$116,249
93.297	Teenage Pregnancy Prevention Program		(\$104,690)
93.300	National Center for Health Workforce Analysis		
	University of California, San Francisco 117235C		\$17,113
93.301	COVID-19 - Small Rural Hospital Improvement Grant Program	\$843,162	\$927,478
93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	\$239,341	\$1,312,395
93.307	Minority Health and Health Disparities Research		\$9,375,000
93.323	COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		\$35,848,347
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		(\$634,279)
93.324	State Health Insurance Assistance Program	\$416,857	\$516,832
93.336	Behavioral Risk Factor Surveillance System		\$363,276

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

		Amount to Subrecipients	Expenditures
93.354	COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	\$1,261,947	\$1,648,162
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response		(\$8,764)
93.359	COVID-19 - Nurse Education, Practice Quality and Retention Grants	\$7,800	\$58,840
93.369	ACL Independent Living State Grants	\$316,228	\$334,714
93.421	The Institute for Rehabilitation and Research 2021-YR1-SILC-UMONTANA Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health		\$24,877
93.423	Association of University Centers on Disabilities 32-21-8814 1332 State Innovation Waivers		\$57,867
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke- Financed in part by 2018 Prevention and Public Health Funds	\$321,211	\$1,932,596
93.432	ACL Centers for Independent Living The Institute for Rehabilitation and Research 2021-YR1-CIL-UMONTANA		\$99,510
93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research Meeting the Challenge, Inc. Shepherd Center SHEP-19-0013 University of Massachusetts B00125545	\$133,131	\$490,873
93.434	Every Student Succeeds Act/Preschool Development Grants		\$3,736
93.435	Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke-	\$241,364	\$80,688
93.448	Food Safety and Security Monitoring Project		\$5,774
93.449	Ruminant Feed Ban Support Project		(\$745)
93.464	ACL Assistive Technology		\$178,714
93.469	Assistive Technology Alternative Financing Program		\$13,403
93.470	Alzheimer's Disease Program Initiative (ADPI)	\$462,500	\$898,593
93.471	Title IV-E Kinship Navigator Program		\$516,832
93.498	COVID-19 - Provider Relief Fund		\$182,223
93.500	Pregnancy Assistance Fund Program		\$252,917
93.504	Family to Family Health Information Centers		\$3,583,539
93.516	Public Health Training Centers Program University of Colorado FY21.641.004 University of Colorado Denver FY19.641.005		\$191,004
93.526	Grants for Capital Development in Health Centers	\$221,940	\$91,223
93.556	Promoting Safe and Stable Families	\$347	\$8,140
93.558	Temporary Assistance for Needy Families	\$626,584	\$9,943
93.563	Child Support Enforcement		\$240,530
			\$890,929
			\$18,589,156
			\$13,217,983

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

		Amount to Subrecipients	Expenditures
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	\$197,209	\$327,998
93.568	COVID-19 - Low-Income Home Energy Assistance	\$281,646	\$355,126
93.568	Low-Income Home Energy Assistance	\$5,233,256	\$18,827,043
93.569	COVID-19 - Community Services Block Grant	\$580,428	\$583,981
93.569	Community Services Block Grant	\$2,835,170	\$3,437,877
93.586	State Court Improvement Program		\$199,654
93.590	Community-Based Child Abuse Prevention Grants		\$226,284
93.597	Grants to States for Access and Visitation Programs		\$103,770
93.599	Chafee Education and Training Vouchers Program (ETV)		\$332,116
93.603	Adoption and Legal Guardianship Incentive Payments		\$309,022
93.630	Developmental Disabilities Basic Support and Advocacy Grants	\$504,046	\$512,400
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	\$42,448	\$612,648
93.636	ACA - Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	\$152,284	\$226,991
93.643	Children's Justice Grants to States		\$63,561
93.645	Stephanie Tubbs Jones Child Welfare Services Program		\$682,215
93.658	Foster Care Title IV-E	\$1,199,329	\$17,927,637
	University of Denver SC37941-03-00 / P0167077		\$51,172
	University of Denver SC37941-03-01/P0169707		\$85,298
93.659	Adoption Assistance		\$14,062,252
93.665	COVID-19 - Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	\$450,085	\$652,798
93.667	Social Services Block Grant	\$156,504	\$7,597,190
93.669	Child Abuse and Neglect State Grants		\$60,320
93.671	COVID-19 - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		\$94,613
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		\$857,791
93.674	Chafee Foster Care Independence Program	\$400,789	\$1,257,003
93.732	Mental and Behavioral Health Education and Training Grants	\$34,019	\$1,639,197
93.747	COVID-19 - Elder Abuse Prevention Interventions Program		\$1,761
93.747	Elder Abuse Prevention Interventions Program		\$510,093
93.752	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	\$90,019	\$344,079
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	\$157,150	\$1,081,075
93.767	COVID-19 - Children's Health Insurance Program		\$4,190,112
93.767	Children's Health Insurance Program		\$71,643,053
93.788	Opioid STR	\$3,137,018	\$4,475,539
93.791	Money Follows the Person Rebalancing Demonstration		\$394,377

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

		Amount to Subrecipients	Expenditures
93.800	Organized Approaches to Increase Colorectal Cancer Screening		\$53,490
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities		(\$107)
93.822	Health Careers Opportunity Program		\$539,405
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	\$3,617,521	\$3,822,889
93.884	Grants for Primary Care Training and Enhancement	\$10,481	\$315,340
93.889	COVID-19 - National Bioterrorism Hospital Preparedness Program		\$988,721
93.889	National Bioterrorism Hospital Preparedness Program	\$1,836,581	\$1,112,619
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	\$418,064	\$2,168,121
93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	\$70,934	\$454,326
	Montana Health Research & Education Foundation RCORP.MORH.01.2019-2020		\$91,867
93.913	Grants to States for Operation of State Offices of Rural Health		\$5,201
93.917	COVID-19 - HIV Care Formula Grants		\$40,156
93.917	HIV Care Formula Grants		\$2,180,714
93.940	HIV Prevention Activities Health Department Based		\$925,036
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs		\$200,408
93.958	Block Grants for Community Mental Health Services	\$1,323,490	\$2,054,541
93.959	Block Grants for Prevention and Treatment of Substance Abuse	\$2,629,073	\$6,071,423
93.969	PPHF Geriatric Education Centers	\$271,051	\$840,641
93.970	Health Professions Recruitment Program for Indians		\$470,414
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants		\$288,882
93.982	Mental Health Disaster Assistance and Emergency Mental Health	\$430,384	\$596,108
93.994	Maternal and Child Health Services Block Grant to the States	\$637,269	\$2,318,115
93.UXX	Miscellaneous Non-Major Grants	\$106,258	\$171,714
	American Association on Health & Disability		\$7,239
		TOTAL	\$316,808,189
Aging Cluster			
93.044	COVID-19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	\$698,409	\$699,571
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	\$1,836,895	\$2,304,841
93.045	COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	\$1,850,329	\$1,943,566
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	\$3,499,662	\$3,889,303
93.053	Nutrition Services Incentive Program	\$963,960	\$1,111,507
		TOTAL	\$9,948,788

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

	Amount to Subrecipients	Expenditures
CCDF Cluster		
93.575 COVID-19 - Child Care and Development Block Grant		\$3,455,686
93.575 Child Care and Development Block Grant	\$7,996,060	\$26,599,885
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund		\$9,131,661
	TOTAL	\$39,187,232
Head Start Cluster		
93.600 Head Start		\$117,104
Stone Child College 90YT000038-01-00		\$69,747
	TOTAL	\$186,851
Medicaid Cluster		
93.775 State Medicaid Fraud Control Units		\$617,953
93.777 COVID-19 - State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		\$342,493
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		\$2,488,557
93.778 COVID-19 - Medical Assistance Program		\$69,994,744
93.778 Medical Assistance Program	\$418,616	\$1,738,478,194
	TOTAL	\$1,811,921,941
Student Financial Assistance Cluster		
93.264 Nurse Faculty Loan Program (NFLP)		\$6,062
93.342 Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students		\$276,427
93.364 Nursing Student Loans		\$2,767,378
93.925 Scholarships for Health Professions Students from Disadvantaged Backgrounds		\$325,318
	TOTAL	\$3,375,185
DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL		\$2,181,428,186
DEPARTMENT OF HOMELAND SECURITY		
97.008 Non-Profit Security Program	\$49,761	\$49,761
97.012 Boating Safety Financial Assistance		\$979,572
97.023 Community Assistance Program State Support Services Element (CAP-SSSE)		\$234,474
97.029 Flood Mitigation Assistance	\$15,588	\$15,588
97.033 Disaster Legal Services		\$20,000
97.036 COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	\$7,770,286	\$42,045,221
97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	\$1,277,382	\$1,306,822
97.039 Hazard Mitigation Grant	\$178,930	\$247,779
97.041 National Dam Safety Program		\$195,910
97.042 Emergency Management Performance Grants	\$1,746,377	\$3,380,265
97.044 Assistance to Firefighters Grant		\$220,604
97.045 Cooperating Technical Partners		\$7,629,969

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

		Amount to Subrecipients	Expenditures
97.046	Fire Management Assistance Grant		\$10,025,175
97.047	Pre-Disaster Mitigation	\$1,294,068	\$1,295,361
97.050	COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs		\$46,572,237
97.067	Homeland Security Grant Program	\$5,333,017	\$6,112,515
	Kalispell Sheriff's Office 19-SPWSPW-12-008 VO		\$7,899
97.082	Earthquake Consortium		\$49,193
	TOTAL		\$120,388,345
	DEPARTMENT OF HOUSING & URBAN DEVELOPMENT		\$120,388,345
14.228	COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		\$4,291
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	\$5,835,637	\$5,889,264
14.231	COVID-19 - Emergency Solutions Grant Program	\$2,547,680	\$2,551,796
14.231	Emergency Solutions Grant Program	\$140,125	\$376,520
14.239	Home Investment Partnerships Program	\$4,694,332	\$5,036,104
14.241	COVID-19 - Housing Opportunities for Persons with AIDS	\$160,592	\$160,592
14.241	Housing Opportunities for Persons with AIDS	\$895,428	\$923,709
14.275	Housing Trust Fund	\$8,840,838	\$9,075,210
14.326	Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities		\$178,123
	TOTAL		\$24,195,609
	Housing Voucher Cluster		
14.871	COVID-19 - Section 8 Housing Choice Vouchers	\$99,493	\$100,342
14.871	Section 8 Housing Choice Vouchers		\$23,741,610
14.879	Mainstream Vouchers		\$10,345
	TOTAL		\$23,852,297
	Section 8 Project-Based Cluster		
14.195	Section 8 Housing Assistance Payments Program		\$25,570,407
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation		\$1,812,682
	TOTAL		\$27,383,089
	DEPARTMENT OF HOUSING & URBAN DEVELOPMENT TOTAL		\$75,430,995
16.017	Sexual Assault Services Formula Program	\$309,637	\$336,891
16.034	COVID-19 - Coronavirus Emergency Supplemental Funding Program	\$1,754,634	\$2,108,937
16.528	Enhanced Training and Services to End Violence and Abuse of Women Later in Life	\$238	\$60,500
16.540	Juvenile Justice and Delinquency Prevention	\$375,025	\$424,619
16.543	Missing Children's Assistance		\$279,220

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

		Amount to Subrecipients	Expenditures
16.548	Title V Delinquency Prevention Program		\$2,568
16.550	State Justice Statistics Program for Statistical Analysis Centers		\$121
16.554	National Criminal History Improvement Program (NCHIP)		\$422,902
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants		\$15,274
16.571	Public Safety Officers' Benefits Program		\$48,678
16.575	Crime Victim Assistance	\$6,743,208	\$7,677,648
16.576	Crime Victim Compensation		\$462,000
16.582	Crime Victim Assistance/Discretionary Grants		\$265,894
16.585	Drug Court Discretionary Grant Program		\$743,240
	Tribal Law and Policy Institute		\$387,995
16.588	Violence Against Women Formula Grants	\$830,281	\$885,964
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program		
	County of Missoula 2015-WR-AX-0013		\$18,424
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	\$69,400	\$118,148
16.593	Residential Substance Abuse Treatment for State Prisoners	\$89,022	\$95,887
16.609	Project Safe Neighborhoods	\$28,509	\$32,633
16.710	Public Safety Partnership and Community Policing Grants		\$249,813
16.726	Juvenile Mentoring Program		
	National 4-H Council 4H NMP-10: 2019-MU-FX-0002		\$60,272
	National 4-H Council 4H NMP-9: 2018-JU-FX-0005		\$1,256
16.738	Edward Byrne Memorial Justice Assistance Grant Program	\$690,033	\$880,281
16.741	DNA Backlog Reduction Program		\$345,857
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		\$211,495
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	\$60,043	\$60,043
16.750	Support for Adam Walsh Act Implementation Grant Program		\$119,253
16.758	Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers		\$86,416
16.816	John R. Justice Prosecutors and Defenders Incentive Act		\$16,080
16.818	Children Exposed to Violence		\$42,455
16.827	Justice Reinvestment Initiative		
	Council of State Governments 19-SA-161-2690		\$87,051
16.831	Children of Incarcerated Parents		\$90,406
16.833	National Sexual Assault Kit Initiative	\$8,881	\$329,103
16.838	Comprehensive Opioid Abuse Site-Based Program		\$9,265
16.839	STOP School Violence		\$389,906
		TOTAL	\$17,366,495
		DEPARTMENT OF JUSTICE TOTAL	\$17,366,495

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

DEPARTMENT OF LABOR		Amount to Subrecipients	Expenditures
17.002	Labor Force Statistics		\$734,876
17.005	Compensation and Working Conditions		\$92,853
17.201	Registered Apprenticeship	\$49,064	\$299,422
17.225	COVID-19 - Unemployment Insurance		\$565,892,687
17.225	Unemployment Insurance		\$192,462,498
17.235	Senior Community Service Employment Program	\$455,526	\$475,626
17.245	Trade Adjustment Assistance		\$154,536
17.268	H-1B Job Training Grants		
	Northern Wyoming Community College 011717-1		\$259,833
17.271	Work Opportunity Tax Credit Program (WOTC)		\$85,766
17.273	Temporary Labor Certification for Foreign Workers		\$366,960
17.277	COVID-19 - WIOA National Dislocated Worker Grants / WIA National Emergency Grants	\$50,000	\$154,227
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	\$177,323	\$307,619
17.504	Consultation Agreements		\$535,876
17.600	Mine Health and Safety Grants		\$387,756
TOTAL			\$762,210,535
Employment Service Cluster			
17.207	Employment Service/Wagner-Peyser Funded Activities		\$5,609,105
17.801	Disabled Veterans' Outreach Program (DVOP)		\$713,982
TOTAL			\$6,323,087
WIOA Cluster			
17.258	WIOA Adult Program	\$334,331	\$2,155,659
17.259	WIOA Youth Activities	\$1,500,517	\$2,047,520
17.278	WIOA Dislocated Worker Formula Grants		\$1,428,637
TOTAL			\$5,631,816
DEPARTMENT OF STATE		DEPARTMENT OF LABOR TOTAL	\$774,165,438
19.009	Academic Exchange Programs - Undergraduate Programs	\$21,364	\$249,057
	World Learning CBPSA19-MSUB01		\$7,087
19.010	Academic Exchange Programs - Hubert H. Humphrey Fellowship Program		
	Institute of International Education, Inc. 3000208789		\$85,016
19.040	Public Diplomacy Programs		\$28,604
19.401	Academic Exchange Programs - Scholars	\$237,410	\$547,437
19.408	Academic Exchange Programs - Teachers		
	International Research & Exchanges Board FY20-FTEA-MSU-02		\$21,664

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

		Amount to Subrecipients	Expenditures
19.415	Professional and Cultural Exchange Programs - Citizen Exchanges	\$5,250	\$150,136
	American Councils for International Education S-ECAGD-20-CA-0043		\$31,935
	Aspen Institute SI_UOM1_SUBR_2020		\$36,735
19.600	Bureau of Near Eastern Affairs		
	Georgetown University MSU-20200710		\$134,313
	Georgetown University		\$6,331
	TOTAL		\$1,298,315
	DEPARTMENT OF THE INTERIOR		\$1,298,315
15.025	Services to Indian Children, Elderly and Families		\$11,975
15.034	Agriculture on Indian Lands		
	Fort Belknap Community Council A10AV00583		\$57,455
15.130	Indian Education Assistance to Schools		\$1,812
15.159	Cultural Resources Management		\$9,529
15.225	Recreation and Visitor Services		\$46,977
15.228	BLM Wildland Urban Interface Community Fire Assistance		\$18,719
15.230	Invasive and Noxious Plant Management		\$29,953
15.231	Fish, Wildlife and Plant Conservation Resource Management		\$302,749
15.233	Forests and Woodlands Resource Management		\$75,650
15.236	Environmental Quality and Protection		\$790,541
15.244	Fisheries and Aquatic Resources Management		\$70,814
15.247	Wildlife Resource Management		\$213,753
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining		\$2,129,812
15.252	Abandoned Mine Land Reclamation (AMLR)		\$1,976,483
15.427	Federal Oil and Gas Royalty Management State and Tribal Coordination		\$500,252
15.517	Fish and Wildlife Coordination Act		\$273,813
15.524	Recreation Resources Management		\$80,813
15.608	Fish and Wildlife Management Assistance		\$66,849
15.628	Multistate Conservation Grant		
	North Carolina State University 2018-0319-06		\$526
15.634	State Wildlife Grants	\$3,218	\$573,799
15.637	Migratory Bird Joint Ventures	\$19,622	\$19,622
15.657	Endangered Species Conservation – Recovery Implementation Funds		\$592,816
15.660	Endangered Species - Candidate Conservation Action Funds		\$28,346
	State of Utah 186103		\$5,036
15.663	National Fish and Wildlife Foundation		\$13,893

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

		Amount to Subrecipients	Expenditures
15.666	Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention	\$80,000	\$115,000
15.670	Adaptive Science		\$131,887
15.904	Historic Preservation Fund Grants-In-Aid	\$246,646	\$1,059,242
15.916	Outdoor Recreation Acquisition, Development and Planning	\$131,929	\$172,247
15.945	Cooperative Research and Training Programs – Resources of the National Park System		\$22,984
15.954	National Park Service Conservation, Protection, Outreach, and Education		\$27,943
15.959	Education Program Management		
	Cherokee School		\$3,310
	Paschal Sherman Indian School		\$11,710
15. UXX	Miscellaneous Non-Major Grants		\$97,939
	TOTAL		\$9,534,249
Fish and Wildlife Cluster			
15.605	Sport Fish Restoration		\$11,448,490
15.611	Wildlife Restoration and Basic Hunter Education	\$223,550	\$15,775,797
15.626	Enhanced Hunter Education and Safety		\$77,462
	TOTAL		\$27,301,749
DEPARTMENT OF THE INTERIOR TOTAL			
			\$36,835,998
20.106	COVID-19 - Airport Improvement Program		\$396,524
20.106	Airport Improvement Program		\$624,098
20.215	Highway Training and Education		\$150,000
20.232	Commercial Driver's License Program Implementation Grant		\$57,037
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	\$413,702	\$458,309
20.509	COVID-19 - Formula Grants for Rural Areas	\$17,302,826	\$17,448,893
20.509	Formula Grants for Rural Areas	\$3,201,305	\$4,206,804
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	\$119,112	\$332,354
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements		\$80,997
20.700	Pipeline Safety Program State Base Grant		\$130,470
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	\$54,187	\$59,317
20.725	PHMSA Pipeline Safety Underground Natural Gas Storage Grant		\$4,187
20.933	National Infrastructure Investments		\$2,209,484
	City of Kalispell UPN#2038/032 - 022NH15(32)		\$4,708,432
	TOTAL		\$30,866,906
Federal Transit Cluster			
20.526	Bus and Bus Facilities Formula Program	\$2,449,771	\$2,449,771
	TOTAL		\$2,449,771

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

	Amount to Subrecipients	Expenditures
FMCSA Cluster		
20.218 Motor Carrier Safety Assistance		\$3,265,397
20.237 Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements		\$459,860
		\$3,725,257
Highway Planning and Construction Cluster		
20.205 Highway Planning and Construction	\$2,372,305	\$490,190,383
20.219 Recreational Trails Program	\$1,601,256	\$1,713,045
20.224 Federal Lands Access Program		\$4,125,387
	TOTAL	\$496,028,815
Highway Safety Cluster		
20.600 State and Community Highway Safety	\$228,799	\$1,750,922
20.616 National Priority Safety Programs	\$534,250	\$2,754,837
	TOTAL	\$4,505,759
Transit Services Programs Cluster		
20.513 Enhanced Mobility of Seniors and Individuals with Disabilities	\$362,101	\$463,941
	TOTAL	\$463,941
DEPARTMENT OF TREASURY		\$538,040,449
21.019 COVID-19 - Coronavirus Relief Fund		
Butte-Silver Bow MT21-114	\$719,734,982	\$1,136,022,390
MontTECH UMI#2021-160		(\$3,417)
MontTECH 2021-244		\$75,735
MontTECH 2021-085		\$5,729
21.023 COVID-19 - Emergency Rental Assistance Program		\$8,611
21.027 COVID-19 - Coronavirus State Fiscal Recovery Fund (CSFRF)		\$10,442,585
21.UXX Miscellaneous Non-Major Grants		\$15,053,295
	TOTAL	\$4,465
	DEPARTMENT OF TREASURY TOTAL	\$1,161,609,393
DEPARTMENT OF VETERANS AFFAIRS		\$1,161,609,393
64.005 Grants to States for Construction of State Home Facilities		\$2,703,868
64.015 COVID-19 - Veterans State Nursing Home Care		\$213,048
64.015 Veterans State Nursing Home Care		\$5,529,282
64.041 VHA Outpatient Specialty Care		\$180,691

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

	Amount to Subrecipients	Expenditures
<i>Clean Water State Revolving Fund Cluster</i>		
66.458 Capitalization Grants for Clean Water State Revolving Funds		\$308,516,238
	TOTAL	\$308,516,238
<i>Drinking Water State Revolving Fund Cluster</i>		
66.468 Capitalization Grants for Drinking Water State Revolving Funds		\$180,962,795
	TOTAL	\$180,962,795
	ENVIRONMENTAL PROTECTION AGENCY TOTAL	\$503,108,063
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION		
30.001 Employment Discrimination Title VII of the Civil Rights Act of 1964		\$79,042
	TOTAL	\$79,042
	EQUAL EMPLOYMENT OPPORTUNITY COMMISSION TOTAL	\$79,042
EXECUTIVE OFFICE OF THE PRESIDENT		
95.001 High Intensity Drug Trafficking Areas Program		\$31,749
	TOTAL	\$31,749
	EXECUTIVE OFFICE OF THE PRESIDENT TOTAL	\$31,749
FEDERAL COMMUNICATIONS COMMISSION		
32.004 Universal Service Fund - Schools and Libraries		\$16,829
	TOTAL	\$16,829
	FEDERAL COMMUNICATIONS COMMISSION TOTAL	\$16,829
GENERAL SERVICES ADMINISTRATION		
39.003 Donation of Federal Surplus Personal Property		\$164,080
39.011 Election Reform Payments		\$8,058
	TOTAL	\$172,138
	GENERAL SERVICES ADMINISTRATION TOTAL	\$172,138
INSTITUTE OF MUSEUM AND LIBRARY SERVICES		
45.310 COVID-19 - Grants to States		\$3,121
45.310 Grants to States		\$1,476,913
45.312 National Leadership Grants		\$77,999
	TOTAL	\$1,558,033
	INSTITUTE OF MUSEUM AND LIBRARY SERVICES TOTAL	\$1,558,033

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

		Amount to Subrecipients	Expenditures
LIBRARY OF CONGRESS			
42.UXX	Miscellaneous Non-Major Grants		\$8,273
	TOTAL		\$8,273
	LIBRARY OF CONGRESS TOTAL		\$8,273
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
43.001	Science		\$44,805
	University of Washington UWSC8987		\$31,270
43.008	Education		\$1
	Sciencenter 2016-01-UMT/NNX16AM22G		\$6,439
	TOTAL		\$82,515
	NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL		\$82,515
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION			
89.003	National Historical Publications and Records Grants		\$11,805
	TOTAL		\$11,805
	NATIONAL ARCHIVES AND RECORDS ADMINISTRATION TOTAL		\$11,805
NATIONAL ENDOWMENT FOR THE ARTS			
45.024	Promotion of the Arts Grants to Organizations and Individuals		\$16,392
	Arts Midwest AM CASE #00023805		\$6
	Arts Midwest CASE # 00026553		\$13,680
45.025	COVID-19 - Promotion of the Arts Partnership Agreements	\$424,400	\$424,400
45.025	Promotion of the Arts Partnership Agreements	\$430,523	\$795,099
	TOTAL		\$1,249,577
	NATIONAL ENDOWMENT FOR THE ARTS TOTAL		\$1,249,577
NATIONAL ENDOWMENT FOR THE HUMANITIES			
45.129	Promotion of the Humanities Federal/State Partnership		
	Humanities Montana 20R005		\$1
	Humanities Montana 20C065		\$5,000
	Humanities Montana		\$3,887
45.149	Promotion of the Humanities Division of Preservation and Access		\$25,428
	National Endowment for the Humanities 18R048		\$416
45.160	Promotion of the Humanities Fellowships and Stipends		\$3,191
45.162	Promotion of the Humanities Teaching and Learning Resources and Curriculum Development		\$51,326
	TOTAL		\$89,249
	NATIONAL ENDOWMENT FOR THE HUMANITIES TOTAL		\$89,249

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

		Amount to Subrecipients	Expenditures
PEACE CORPS			
45.400	Peace Corps' Global Health and PEPFAR Initiative Program		\$22,601
		TOTAL	\$22,601
		PEACE CORPS TOTAL	\$22,601
SMALL BUSINESS ADMINISTRATION			
59.037	COVID-19 - Small Business Development Centers		\$655,569
59.037	Small Business Development Centers		\$785,952
	MonTECH 2019-518		\$51,538
59.043	Women's Business Ownership Assistance		
	Prospera Business Network		\$15,300
59.058	Federal and State Technology Partnership Program		\$120,703
59.061	State Trade Expansion		\$342,436
		TOTAL	\$1,971,498
		SMALL BUSINESS ADMINISTRATION TOTAL	\$1,971,498
SOCIAL SECURITY ADMINISTRATION			
96.008	Social Security - Work Incentives Planning and Assistance Program	\$65,064	\$195,100
		TOTAL	\$195,100
Disability Insurance/SSI Cluster			
96.001	Social Security Disability Insurance		\$6,203,256
		TOTAL	\$6,203,256
		SOCIAL SECURITY ADMINISTRATION TOTAL	\$6,398,356

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster		Amount to Subrecipients	Expenditures
AGENCY FOR INTERNATIONAL DEVELOPMENT			
98.001	USAID Foreign Assistance for Programs Overseas Rutgers, The State University of New Jersey S19050: PO#1137707		\$36,253
		AGENCY FOR INTERNATIONAL DEVELOPMENT TOTAL	\$36,253
DEPARTMENT OF AGRICULTURE			
Agricultural Research Service			
10.001	Agricultural Research Basic and Applied Research		\$578,873
Animal and Plant Health Inspection Service			
10.025	Plant and Animal Disease, Pest Control, and Animal Care		\$538,670
	State of Iowa 21CRDWBTHARM-0001		\$3,090
	Utah State University 200592-390		\$2,216
Economic Research Service			
10.250	COVID-19 - Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations		\$4,725
Foreign Agricultural Service			
10.610	Export Guarantee Program		\$25,309
Forest Service			
10.652	Forestry Research	\$3,418	\$2,420,467
	Arthur Carhart National Wilderness Training Center 17-CS-11132466-344		\$156,712
	Hydrosolutions Inc MSA 2017-TO1		(\$826)
	National Wilderness Stewardship Alliance WI2020		\$14,482
	NatureServe MT-027-FY20		\$1,412
	Tall Timbers Research UM-2021-046		\$21,573
	Tall Timbers Research UM-2020-288		\$24,482
	University of Vermont 29034SUB52911		\$4,375
10.664	Cooperative Forestry Assistance		\$107,168
10.680	Forest Health Protection	\$8,000	\$68,095
10.682	National Forest Foundation		\$21,371
10.684	International Forestry Programs		\$123,794
10.699	Partnership Agreements		\$34,331
	University of Maine UMS-1216		\$28,718
10.707	Research Joint Venture and Cost Reimbursable Agreements		\$210,703

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster		Amount to Subrecipients	Expenditures
Miscellaneous			
10.RD	Miscellaneous Research and Development		\$6,040,926
	Bravo 2 Whiskey, LLC		\$47,814
	Duke University 313-0873		\$48,465
	Duke University SUBCONTRACT NUMBER 313-0742		\$259,657
	Nutronics, Inc. SUBK-MSU-VDHWFS2-01-012720		\$151,635
	S2 Corp S2-1025-19-01		\$52,367
	Tufts University ARM212-MSU/ PO# EP0166321		\$5,479
	University of California, Davis A17-0837-S001		\$14,031
	University of Maryland 31236-Z8409102		\$23
National Institute of Food and Agriculture			
10.200	Grants for Agricultural Research, Special Research Grants		
	North Dakota State University FAR0031981		\$12,283
	University of California, Davis A20-3947-S001		\$11,457
	University of Idaho AP4292-870300		\$7,015
	University of Idaho AP1008-SB1-870848/P0057780		\$1
10.202	Cooperative Forestry Research		\$746,984
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		\$3,199,156
10.207	Animal Health and Disease Research		\$24,166
10.215	Sustainable Agriculture Research and Education	\$2,253,550	\$3,331,566
	South Dakota State University 3TC473		\$7,079
	Utah State University 200592-395	\$30,938	\$96,199
	Utah State University 201207-554		\$26,925
	Utah State University 200592-390		\$21,465
	Utah State University 201207-597		\$16,991
	Utah State University 201207-587		\$8
	Utah State University 200592-384		\$4,241
10.217	Higher Education - Institution Challenge Grants Program	\$102,418	\$126,319
10.226	Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	\$111,303	\$288,951
10.227	1994 Institutions Research Program		
	Aaniih Nakoda College MSU-27076		\$8,801
	Fort Peck Community College FPCC-092018-001		(\$20)
	Little Big Horn College USDA NIFA TO LBHC TO MSU		(\$3,096)

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster	Amount to Subrecipients	Expenditures
Salish Kootenai College UM-18-01		\$3,444
Salish Kootenai College 2		\$6,874
Salish Kootenai College MSU#1: 2017-38424-27077		\$30,171
10.304 Homeland Security Agricultural		
Kansas State University A00-0280-S002-A03 (\$17045.03)	\$110,707	\$52,478
10.307 Organic Agriculture Research and Extension Initiative		\$415,816
Utah State University 202524-663		\$36,365
10.309 Specialty Crop Research Initiative	\$481,480	\$752,632
Colorado State University G-1363-04		\$8,011
University of Idaho AN4829-846776		\$46,427
10.310 Agriculture and Food Research Initiative (AFRI)	\$88,658	\$1,367,622
Kansas State University A21-0417-S002		\$143
Kansas State University S15184		(\$69)
North Dakota State University FAR0033228		\$5,647
University of California, Davis 201603566-08		\$202,701
University of Illinois Urbana-Champaign 078891-1539		\$3,327
University of New Hampshire L0015		\$49,007
University of Vermont 29034SUB51753		\$1,628
10.312 Biomass Research and Development Initiative Competitive Grants Program (BRDI)	\$31,433	\$127,769
10.318 Women and Minorities in Science, Technology, Engineering, and Mathematics Fields		\$16,831
10.329 Crop Protection and Pest Management Competitive Grants Program	\$28,399	\$351,407
10.330 Alfalfa and Forage Research Program	\$1,590	\$65,684
University of California, Davis A18-0619-S003		\$1,861
10.500 Cooperative Extension Service		\$2,632,548
Washington State University 134194 G004012		\$12
10.525 Farm and Ranch Stress Assistance Network Competitive Grants Program		
Washington State University 139244 G004270		\$62,861
Natural Resources Conservation Service		
10.902 Soil and Water Conservation		\$181,626
Nature Conservancy MTBU122118_JB		(\$91)
Pheasants Forever, Inc. WLRW 2021-02		\$156,408
Pheasants Forever, Inc. 68-3A75-16-736		\$117,956
10.903 Soil Survey		\$143,779

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster			Amount to Subrecipients	Expenditures
10.912	Environmental Quality Incentives Program University of Illinois Urbana-Champaign 103926-18435			\$40,753 \$41,613
Risk Management Agency				
10.460	Risk Management Education Partnerships			\$51
Rural Business Cooperative Service				
10.350	Technical Assistance to Cooperatives			
	National Association of Development Organizations 484.01			\$539
	National Association of Development Organizations			\$5,380
	National Association of Development Organizations 483.01			\$29,128
	National Association of Development Organizations 482.01			\$63,245
	National Association of Development Organizations #481 800.01			\$153,212
			DEPARTMENT OF AGRICULTURE TOTAL	\$26,111,424
DEPARTMENT OF COMMERCE				
Economic Development Administration				
11.020	Cluster Grants		\$26,905	\$244,418
National Institute of Standards and Technology				
11.609	Measurement and Engineering Research and Standards			\$1,046
National Oceanic and Atmospheric Administration				
11.431	Climate and Atmospheric Research			\$444,527
	University Corporation for Atmospheric Research SUBAWD000858			\$135,947
11.438	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program			
	Alaska Department of Fish and Game AKSSF-53005			\$2,627
11.459	Weather and Air Quality Research			\$117,913
11.467	Meteorologic and Hydrologic Modernization Development			
	University Corporation for Atmospheric Research SUBAWD002072			\$14,979
11.472	Unallied Science Program			
	North Pacific Research Board 1718B			(\$10)
U.S. Census Bureau				
11.016	Statistical, Research, and Methodology Assistance			\$144
			DEPARTMENT OF COMMERCE TOTAL	\$961,591

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster	Amount to Subrecipients	Expenditures
DEPARTMENT OF DEFENSE		
Advanced Research Projects Agency		
12.910 Research and Technology Development	\$1,382,778	\$2,119,148
North Carolina State University 2016-2896-04		\$167,638
Department of the Air Force		
12.800 Air Force Defense Research Sciences Program	\$170,449	\$22,592,266
S2 Corp		\$386,822
S2 Corp #S2-1954-19-01F (3A)		\$540,528
S2 Corp #S2-1954-19-01A (3B)		\$663,918
Department of the Army		
12.005 Conservation and Rehabilitation of Natural Resources on Military Installations	\$37,444	\$388,975
12.420 Military Medical Research and Development	\$186,513	\$364,481
Baylor College 7000001103		\$23,211
University of California, Davis A19-0382-S001		\$38,267
University of Texas at Austin UTA20-000476		\$6,417
12.431 Basic Scientific Research	\$79,006	\$7,248,066
University of Maryland 92951-Z8310202		\$1,544,118
Department of the Navy		
12.300 Basic and Applied Scientific Research	\$142,085	\$2,386,097
Pennsylvania State University S000044-ONR		\$50,862
TPS Associates, Inc. PO MSU-7971/3002		(\$386)
Miscellaneous		
12.RD Miscellaneous Research and Development	\$172,256	\$1,988,606
Charles River Analytics SC1812501		\$85,090
Office of the Secretary of Defense		
12.630 Basic, Applied, and Advanced Research in Science and Engineering		\$82,896
12.632 Legacy Resource Management Program		\$190
DEPARTMENT OF EDUCATION	DEPARTMENT OF DEFENSE TOTAL	\$40,677,210
Institute of Education Sciences		
84.305 Education Research, Development and Dissemination		\$135,935
University of Missouri C00064217-1		

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster		Amount to Subrecipients	Expenditures
Office of Elementary and Secondary Education			
84.299	Indian Education -- Special Programs for Indian Children		\$24,130
Office of Innovation and Improvement			
84.336	Teacher Quality Partnership Grants		\$548,101
Office of Postsecondary Education			
84.217	TRIO McNair Post-Baccalaureate Achievement		\$275,565
DEPARTMENT OF ENERGY		DEPARTMENT OF EDUCATION TOTAL	\$983,731
81.121	Nuclear Energy Research, Development and Demonstration		\$158,280
81.049	Office of Science Financial Assistance Program	\$162,912	\$1,963,112
	Bonneville Power Administration IAA 82184		\$113
	Bonneville Power Administration 72725		\$8,513
	Impossible Sensing LLC		\$6,156
	Montana Emergent Technologies		\$21
	University of Wyoming DE-SC0012671		\$8,054
	Washington State University 134124-G003968		\$25,171
	Washington State University 132345 SPC001690		\$298,800
	Yale University GR104542 (CON-80001480)		\$299,437
81.086	Conservation Research and Development	\$80,501	\$2,776,998
81.087	Renewable Energy Research and Development	\$230,877	\$668,640
	Bridger Photonics		\$130,523
	Clemson University 2107-219-2023054		\$67,969
	Michigan State University RC107739		\$104,379
	University of Toledo F-2019-14		\$312,969
81.089	Fossil Energy Research and Development		\$46,010
	New Mexico Institute of Mining P0019650		\$144,802
81.135	Advanced Research Projects Agency - Energy		
	Cornell University 84185-11060		\$31,964
Miscellaneous			
81.RD	Miscellaneous Research and Development		
	Navarro Research and Engineering, Inc. LMCP7514		\$14,986
	Sandia National Laboratories 1663302		\$1,726
	Sandia National Laboratories 2183707		\$51,420

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster	Amount to Subrecipients	Expenditures
Sandia National Laboratories 1922244		\$23,786
Sandia National Laboratories 2151826		\$29,563
DEPARTMENT OF HEALTH AND HUMAN SERVICES	DEPARTMENT OF ENERGY TOTAL	\$7,173,392
Administration for Children and Families		
93.670 Child Abuse and Neglect Discretionary Activities		
Futures Without Violence 3075		\$30,249
Administration for Community Living		
93.433 ACL National Institute on Disability, Independent Living, and Rehabilitation Research		
The Institute for Rehabilitation and Research 2020-YR4-UMONTANA-SCIMS	\$27,446	\$783,855
The Institute for Rehabilitation and Research 2021-Y5-017-UMONTANA-SCIMS		\$13,617
University of Kansas FY2017-048-M5	\$36,429	\$30,889
University of Kansas FY2017-048-M3 A3	\$57,068	\$147,249
		\$104,707
Centers for Disease Control and Prevention		
93.136 COVID-19 - Injury Prevention and Control Research and State and Community Based Programs		\$473,957
93.262 Occupational Safety and Health Program		\$94,185
University of Colorado FY18.347.004		\$5,832
Utah State University 202633-668		\$13,696
Utah State University 203193-715		\$34,096
Food and Drug Administration		
93.103 Food and Drug Administration Research		\$14,764
Health Resources and Services Administration		
93.107 Area Health Education Centers	\$360,156	\$660,001
93.155 Rural Health Research Centers		
National Rural Health Association NRHA 2020		\$3,200
93.247 Advanced Nursing Education Workforce Grant Program		\$704,447
93.300 National Center for Health Workforce Analysis		
University at Albany, State University of New York 3-86321		\$55,200
93.301 Small Rural Hospital Improvement Grant Program	\$478,691	\$550,495
93.359 Nurse Education, Practice Quality and Retention Grants	\$170,000	\$835,581
93.913 Grants to States for Operation of State Offices of Rural Health		\$215,461
93.969 PPHF Geriatric Education Centers	\$30,225	\$87,127

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster		Amount to Subrecipients	Expenditures
Miscellaneous			
93.RD	Miscellaneous Research and Development Boston Children's Hospital GENFD0001583403	\$4,048,874	\$8,599,352 \$663,544
National Institutes of Health			
93.113	Environmental Health Michigan State University RC107307MON University of New Mexico 3RY74 PILOT PROJECT University of New Mexico 3RY74 University of Rochester 417656G/UR FAO GR510992 University of Rochester ROAE5030940-01	\$208,018	\$714,219 \$124,110 (\$1,897) \$1,153 \$126,850 \$213,313 \$101,428
93.121	Oral Diseases and Disorders Research		
93.172	Human Genome Research Institute for Systems Biology 2018.0008 Southcentral Foundation 2018-201 University of Colorado FY21.1078.001		\$173,582 \$19,278 \$40,697
93.173	Research Related to Deafness and Communication Disorders Massachusetts General Hospital 300315 Promiliad Biopharma Incorporated 2R42DC017641-02A1		\$187,215 \$139,879 \$120,040
93.233	National Center on Sleep Disorders Research		\$92,231
93.242	Mental Health Research Grants Advanced Medical Electronics Corporation AME19_ANIMALHEADSTAGE-07 University of Washington UWSC10191 (BPO28076)		\$25,003
93.273	Alcohol Research Programs	\$91,712	\$365,504
93.279	Drug Abuse and Addiction Research Programs		\$9,129
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	\$178,103	\$1,368,892
93.307	Minority Health and Health Disparities Research University of Arizona 575638 (UA 3036150 REQ 611244) University of New Mexico 3RJN7 University of New Mexico Health Sciences Center 3RJN7 / PO	\$340,100	\$655,205 \$12,105 \$35,197 \$22,003
93.310	COVID-19 - Trans-NIH Research Support	\$247,447	\$381,056
93.310	Trans-NIH Research Support University of Arkansas 54005-VDORA		\$300,575 \$87,654
93.350	National Center for Advancing Translational Sciences University of Washington UWSC9979/BPO26008		\$56,731 \$4,882

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster	Amount to Subrecipients	Expenditures
University of Washington BPO26008 / UWSC9979		\$24,346
93.351 Research Infrastructure Programs		\$599,278
DermaXon 1R41RT003929		\$4,920
93.361 Nursing Research		
Medical College of Wisconsin PO: 6166576		\$15,608
University of Florida UFDSP00012150		\$150,075
93.393 Cancer Cause and Prevention Research		\$447,053
93.838 Lung Diseases Research		\$200,708
93.846 Arthritis, Musculoskeletal and Skin Diseases Research	\$16,032	\$385,136
93.847 Diabetes, Digestive, and Kidney Diseases Extramural Research	\$243,417	\$1,124,669
University of Utah 10053831-01		\$280,174
Yale University CON-80003000(GR112885)		\$21,823
93.853 Extramural Research Programs in the Neurosciences and Neurological Disorders	\$71,416	\$977,184
University of Washington UWSC10752/ BP034774		\$39,959
Yale University M17A12590-GR104248 (80001410)		\$1,273
93.855 Allergy and Infectious Diseases Research	\$1,362,683	\$5,718,196
Albert Einstein College of Medicine P0819131 (SUB NO: 31194A)		\$32,230
Arrevus Inc.		\$25,769
Emory University A156367		\$70,879
Mayo Clinic MSU-272768/PO#67660374		\$22,584
Michigan State University RC110226MSU		\$38,037
Oregon Health Sciences University 1016853_UMT		\$56,692
Promiliad Biopharma Incorporated R42A118104		\$100,138
University of Kentucky 7800005601		\$689
University of Kentucky PO7800004770/3200002108-19-191		\$1,277
University of Louisville Research Foundation ULRF 17-0750-01		(\$5,293)
University of Louisville Research Foundation ULRF-17-0750A-01		\$94,440
University of Notre Dame 202953MSU		\$178,894
93.859 COVID-19 - Biomedical Research and Research Training		\$13
93.859 Biomedical Research and Research Training	\$2,265,696	\$16,934,084
City of Missoula		\$32,440
Meadowlark Science and Education, LLC UM-OD01		\$13,858
Meadowlark Science and Education, LLC UM_GEN01		\$34,250
Northwest Indian College NWIC-SA24226-MSU		\$46,570

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster				Amount to Subrecipients	Expenditures
	Oklahoma State University	5-554009			\$20,646
	Rutgers, The State University of New Jersey	PO# 663268/ SUBAWARD #0222			\$182,824
	University of Alaska	UAA 20-0113			\$3,821
	University of Nevada, Las Vegas	GR11257 MSU-08-03-PILOT-BECKER			\$31,767
	University of Nevada, Las Vegas	GR11265-CP3			\$112,948
	University of Nevada, Las Vegas	GR11265-CEO			\$88,647
	University of Nevada, Las Vegas	GR11265-BERD			\$38,644
	University of Nevada, Las Vegas	GR11257 MSU-08-01-BERD			\$26,730
	University of Nevada, Las Vegas	GR11257 MSU-08-02-CEO			\$14,351
	University of Nevada, Las Vegas	GR09462 UMT-07-01-CP3			\$632
	University of Nevada, Las Vegas	TASK MSU-07-02-CEO (GR09456)			(\$4)
	University of Nevada, Las Vegas	GR09462 UMT-07-01-CEO			\$517
	University of New Mexico	3REV9			\$67,404
	University of New Mexico Health Sciences Center	3REV9			\$40,159
	University of Utah	10047369-S2			\$41,679
	University of Utah	PO U000148335 / 10047369-S2			\$63,476
	University of Washington	UWSC9319			\$84,675
	Virtici, LLC	GM130166			\$81,450
93.865	Child Health and Human Development Extramural Research			\$2,178	\$497,792
	University of Arkansas	51460 PO#G190121109			(\$1,244)
	Washington University	WU-20-478			\$19,185
93.866	Aging Research				\$53,183
	Johns Hopkins University	2003050472			\$20,403
	Michigan State University	RC108877UM			\$13,203
	University of Maryland	1000004418			\$15,242
	University of Washington	UWSC10030/BPO26347			\$111,809
93.867	Vision Research			\$78,966	\$273,003
	University of California, Berkeley	SUBAWARD NO. 00010266			\$42,079
93.879	Medical Library Assistance				
	Augusta University Research Institute, Inc.	32242-1			\$7,707
	Baylor College of Medicine	7000000701			\$15,334
	National Network of Libraries	NNLM PNR TECHNOLOGY IMPROVEMEN			\$5,034

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster	Amount to Subrecipients	Expenditures
Substance Abuse and Mental Health Services Administration		
93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance Browning Schools 2586-001		\$48,009
93.276 Drug-Free Communities Support Program Grants Washakie County		\$34,686
		<hr/>
	DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	\$49,221,282
DEPARTMENT OF JUSTICE		
Office of Justice Programs		
16.560 National Institute of Justice Research, Evaluation, and Development Project Grants		\$117,651
		<hr/>
	DEPARTMENT OF JUSTICE TOTAL	\$117,651
DEPARTMENT OF STATE		
Bureau of Educational and Cultural Affairs		
19.408 Academic Exchange Programs - Teachers International Research & Exchanges Board FY20-FTEA-MSU-01		\$262,273
		<hr/>
	DEPARTMENT OF STATE TOTAL	\$262,273
DEPARTMENT OF THE INTERIOR		
Bureau of Indian Affairs and Bureau of Indian Education		
15.035 Forestry on Indian Lands Salish Kootenai College NBR-19-01		(\$238)
15.043 Indian Child and Family Education		(\$21,846)
Bureau of Land Management		
15.224 Cultural and Paleontological Resources Management		\$190,288
15.230 Invasive and Noxious Plant Management		\$406,545
15.231 Fish, Wildlife and Plant Conservation Resource Management		\$252,830
15.232 Wildland Fire Research and Studies		\$32,128
15.236 Environmental Quality and Protection		\$73,694
15.247 Wildlife Resource Management		\$407,600
15.248 National Landscape Conservation System		\$102
Miscellaneous		
15.RD Miscellaneous Research and Development Colorado State University G-63747-01	\$446,381	\$1,426,796
		\$60,935

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster		Amount to Subrecipients	Expenditures
NatureServe	MT-026-FY19		\$20,000
Oregon State University	L0233A-A		\$288,222
Oregon State University	L02226A-A		\$24,862
Oregon State University	L0205A-A		\$880
Oregon State University	L02312A-A		\$22,371
Oregon State University	L0212A-A		\$550,899
Otak, Inc.	33172.003		\$31,896
PG Environmental, LLC	50002.001		(\$1,434)
PG Environmental, LLC	50002/001 140L0620F0455		\$41,074
PG Environmental, LLC	50002.006 TO 4		\$44,755
PG Environmental, LLC	50002/001		\$162,898
Portland State University	100006		(\$1,460)
Portland State University	1361 100182		\$48,256
Portland State University	1362		\$108,056
Portland State University	100145		\$161,908
Portland State University	100130		\$189,347
RRC Associates	33172.007		\$39,775
RRC Associates	33172.01		\$19,095
RRC Associates	33172.005		\$11,403
RRC Associates	33172.002		\$34,464
National Park Service			
15.915	Technical Preservation Services		\$5,333
15.926	American Battlefield Protection		\$1,449
15.945	Cooperative Research and Training Programs – Resources of the National Park System	\$43,588	\$1,182,609
	University of California, Santa Cruz A20-0484-S001		\$2,481
	University of Wyoming 1004490-UM		\$4,997
15.954	National Park Service Conservation, Protection, Outreach, and Education		\$125,665
U.S. Fish and Wildlife Service			
15.605	Sport Fish Restoration		
	Wyoming Game and Fish Department 002822		\$48,020
15.608	Fish and Wildlife Management Assistance		\$161,865
15.611	Wildlife Restoration and Basic Hunter Education	\$18,469	\$1,578,195
	Colorado Parks and Wildlife 220-IGA-142182		\$12,864
	Idaho Department of Fish and Game IDFG-FY19-516		\$455

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster	Amount to Subrecipients	Expenditures
Idaho Department of Fish and Game IDFA-MA-20151029		\$3,635
Idaho Department of Fish and Game IDFG-FY20-509 / 2021-038		\$31,334
Idaho Department of Fish and Game IDFG-MA-20151029		\$59,192
Missouri Department of Conservation 369-B	\$25,000	\$51,884
Missouri Department of Conservation CA-472		\$5,932
Missouri Department of Conservation 377-B		\$66,160
North Dakota Game and Fish Department		\$112,311
North Dakota Game and Fish Department W-68-R-3		\$265,772
State of South Dakota 19CS06W008		\$23,065
State of South Dakota 19CS06W012		\$230,513
15.615 Cooperative Endangered Species Conservation Fund		(\$1,242)
Washington State Department of Natural Resources 93-099848		\$6,901
15.631 Partners for Fish and Wildlife		
Blackfoot Challenge 2019-37		\$4,659
15.634 State Wildlife Grants		
Alaska Department of Fish and Game 19-145		\$45,573
Wyoming Game and Fish Department 003033		\$58,582
15.637 Migratory Bird Joint Ventures		\$30,239
15.654 National Wildlife Refuge System Enhancements		\$30,609
15.655 Migratory Bird Monitoring, Assessment and Conservation		\$126,846
15.657 Endangered Species Conservation – Recovery Implementation Funds		\$459,834
South Dakota Department of Game, Fish, and Parks 19-0600-048-01		\$356,247
15.660 Endangered Species - Candidate Conservation Action Funds		\$12,780
15.664 Fish and Wildlife Coordination and Assistance		\$100,585
15.665 National Wetlands Inventory		\$11,252
15.678 Cooperative Ecosystem Studies Units		\$951,174
U.S. Geological Survey		
15.805 Assistance to State Water Resources Research Institutes		\$107,314
15.807 Earthquake Hazards Program Assistance		\$58,912
15.808 U.S. Geological Survey Research and Data Collection		\$323,931
15.810 National Cooperative Geologic Mapping		\$481,290
15.812 Cooperative Research Units		\$447,530
15.814 National Geological and Geophysical Data Preservation		\$62,785

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster	Amount to Subrecipients	Expenditures
15.815 National Land Remote Sensing Education Outreach and Research AmericaView AV18-MT-01		\$22,409
15.820 National and Regional Climate Adaptation Science Centers University of Colorado 1559603		\$6,900
University of Colorado Boulder 1559947 PO 1001445221		\$8,009
University of Colorado Boulder PO 1001362655/1559255		\$28,763
University of Washington UWSC10097 BPO49075		\$36,587
University of Washington UWSC10097 BPO49076		\$37,146
University of Washington UWSC10097 BPO46197		\$20,261
University of Washington UWSC100967/BPO41681		\$7,273
University of Washington UWSC10097 BPO46197		\$22,267
University of Washington UWSC100967/BPO41680		\$9,105
15.980 National Ground-Water Monitoring Network		\$27,433
DEPARTMENT OF TRANSPORTATION		\$12,501,786
Federal Aviation Administration		
20.109 Air Transportation Centers of Excellence		\$127,571
Federal Highway Administration		
20.200 Highway Research and Development Program	\$237,321	\$735,513
Cadmus Group 4652FHWA-MTI-1		\$54,907
California Department of Transportation 65A0772		\$26,321
California Department of Transportation 65A0770		\$39,893
Idaho Department of Transportation 2016-01		(\$131)
Minnesota Department of Transportation 1003322 WORK ORDER NO. 4		\$178
Minnesota Department of Transportation 1044527		\$20,084
Minnesota Department of Transportation 1003322 WORK ORDER NO. 5		\$42,671
Nevada Department of Transportation P701-18-803 TASK 06		\$67,425
Nevada Department of Transportation P701-18-803 TASK 04		\$19,592
Nevada Department of Transportation P701-18-803 TASK 02		\$36,280
Nevada Department of Transportation P701-18-803 TASK 01		\$23,634
Nevada Department of Transportation P701-18-803 TASK 07		\$204
Nevada Department of Transportation P701-18-803 TASK 05	\$24,943	\$35,918
South Dakota Department of Transportation 311280 SD2016-03		\$2,438

DEPARTMENT OF THE INTERIOR TOTAL

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster		Amount to Subrecipients	Expenditures
	Washington State Department of Transportation T6737 TASK 12		\$22
	Washington State Department of Transportation T6737 TASK 14		\$17,756
	Washington State Department of Transportation T6737 TASK 13		\$24,017
20.205	Highway Planning and Construction	\$22,000	\$651,601
	Center for Large Landscape Conservation		\$267
	Iowa Department of Transportation TPF-5(435)		\$19,042
	Iowa Department of Transportation TPF-5(290)		\$19,994
	Kentucky Transportation Cabinet		\$3,979
	Maryland Department of Transportation P01814 X-1		\$31,174
	Minnesota Department of Transportation 1002306	\$27,957	(\$1)
	State of Wyoming RS06219		\$42,634
	Vermont Agency of Transportation GR1477		\$9,817
20.215	Highway Training and Education		\$8,869
	Battelle Memorial Institute US001-0000804612 LINE 1		\$6,486
	Battelle Memorial Institute US001-0000806715		\$52,087
	Battelle Memorial Institute US001-0000804612		\$57,662
Federal Transit Administration			
20.514	Public Transportation Research, Technical Assistance, and Training		
	ICF International 19SSSK0091		\$1,659
National Highway Traffic Safety Administration			
20.600	State and Community Highway Safety		
	National Academies of Science BTS-15 UNIT 913 SUB0001557		\$103,949
	North Dakota Department of Transportation 12191245	\$5,658	\$4,153
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements		\$168,971
20.616	National Priority Safety Programs		
	Washington Traffic Safety Commission PROJECT # 2021-SUB-GRANTS-4353		\$5,719
	Washington Traffic Safety Commission 20-VENDOR CONTRACT-4004 VC4196		\$53,116
	Washington Traffic Safety Commission 2021-SUBGRANTS- 4268		\$11,520
	Washington Traffic Safety Commission 2020-AG-3688		\$2,549
	Washington Traffic Safety Commission 2020-VENDOR CONTRACT-4004		\$1,071
	Washington Traffic Safety Commission 2021-SUB-GRANTS-4350		\$10,750

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster	Amount to Subrecipients	Expenditures
Office of the Secretary		
20.701 University Transportation Centers Program	\$909,211	\$1,458,680
DEPARTMENT OF TREASURY		
Community Development Financial Institutions		
21.020 Community Development Financial Institutions Program		\$13,189
	DEPARTMENT OF TRANSPORTATION TOTAL	\$4,000,041
DEPARTMENT OF VETERANS AFFAIRS		
VA Health Administration Center		
64.054 Research and Development		\$731,758
	DEPARTMENT OF TREASURY TOTAL	\$13,189
ENVIRONMENTAL PROTECTION AGENCY		
66.202 Congressionally Mandated Projects		
Idaho Department of Environmental Quality		\$20,927
Idaho Department of Environmental Quality		\$44,485
66.461 Regional Wetland Program Development Grants		\$169,921
66.509 Science To Achieve Results (STAR) Research Program		
University of New Mexico		\$21,119
66.516 P3 Award: National Student Design Competition for Sustainability		\$8,540
66.716 Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies		\$26,547
66.802 Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		
Dine' College		\$23,671
66.808 Solid Waste Management Assistance Grants		\$17,083
66.951 Environmental Education Grants		\$24,057
Arizona State University		\$225
66.962 Columbia River Basin Restoration (CRBR) Program		\$17,259
	ENVIRONMENTAL PROTECTION AGENCY TOTAL	\$373,834

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster	Amount to Subrecipients	Expenditures
GENERAL SERVICES ADMINISTRATION		
39.003 Donation of Federal Surplus Personal Property		\$5,415
	GENERAL SERVICES DIVISION TOTAL	\$5,415
INSTITUTE OF MUSEUM AND LIBRARY SERVICES		
45.312 National Leadership Grants	\$2,842	\$8,809
45.313 Laura Bush 21st Century Librarian Program		\$102,487
Drexel University 950022-P PO: U0212121		\$4
	INSTITUTE OF MUSEUM AND LIBRARY SERVICES TOTAL	\$111,300
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
43.012 Space Technology	\$102,153	\$298,261
43.001 Science	\$741,103	\$4,738,531
Association of Universities for Research in Astronomy		\$7,584
Astrophysical Research Consortium SSP538		\$87,244
Bowling Green State University 10010205-UMT		\$30,967
California Institute of Technology, Jet Propulsion Laboratory 1649019		\$6,852
Dartmouth College R1148		\$27,169
Dartmouth College R1060		\$477,327
Georgia Institute of Technology AWD-000545-G1		\$1,559
Georgia Institute of Technology RH809-03		\$111,362
Lockheed Martin Corporation 8100002702		\$448,004
Predictive Science Inc.		\$36,031
Princeton University SUB00000396		\$15,639
SETI Institute SC 3118		\$3,175
Smithsonian Astrophysical Observatory G08-19069X		(\$1,793)
Smithsonian Astrophysical Observatory G07-18086A		(\$423)
Smithsonian Astrophysical Observatory G09-20094X		\$52,004
Smithsonian Astrophysical Observatory SV9-89001		\$157,963
Southwest Research Institute K99081KJ		\$90,312
Space Telescope Science Institute HST-GO-14251.004-A		\$4,115
Space Telescope Science Institute HST-GO-15607.001.A		\$54,004
Space Telescope Science Institute HST-GO-13943.007-A		\$1,957
Stone Aerospace/PSC, Inc.		\$28,999

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster	Amount to Subrecipients	Expenditures
Stottler Henke Associates, Inc. DIS-MAESTRO2 MSU		\$128,573
Sustainable Bioproducts		\$85,929
University Corporation For Atmospheric Research SUBAWD002290		\$19,802
University of Alaska UAF 18-0082		\$46,799
University of Colorado Denver PO1001469105/1560348		\$582
University of Colorado Denver 1552610 / NNA15BB02A		\$59,343
University of Colorado Denver 1557527 (PO1001165441)		\$47,882
University of Maryland 3TB432		\$33,448
University of Massachusetts 20-010961 A		\$84,812
University of Minnesota A007438701		\$17,540
University of Washington UWSC12794 BPO 56293		\$7,046
University of Washington UWSC8879/BPA13182		\$10,139
University of Washington UWSC8879/BPO13182		\$76,851
43.008 Education	\$28,583	\$1,373,250
Stottler Henke Associates, Inc.		\$28,477
43.009 Cross Agency Support		\$43,019
Miscellaneous		
43.RD Miscellaneous Research and Development		
California Institute of Technology, Jet Propulsion Laboratory 1422120		\$178,744
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL		\$8,919,079
NATIONAL ENDOWMENT FOR THE HUMANITIES		
45.129 Promotion of the Humanities Federal/State Partnership		
Humanities Montana 20R039		\$3,741
NATIONAL ENDOWMENT FOR THE HUMANITIES TOTAL		\$3,741
NATIONAL SCIENCE FOUNDATION		
47.041 Engineering Grants	\$33,331	\$1,851,223
Case Western Reserve University RES514053		\$13,666
Integrative Economics, LLC INTEGRATIVE ECONOMICS MSU STTR		\$4,101
University of Michigan SUBK00011355		\$51,144
47.049 Mathematical and Physical Sciences	\$477,798	\$3,027,565
Association of Universities for Research in Astronomy N87463C		\$25,964
University Wisconsin-Milwaukee 2034045458 (1534055370)		\$93,495

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster		Amount to Subrecipients	Expenditures
47.050	Geosciences	\$231,955	\$2,301,463
	George Washington University 14-S17		\$6,359
	Lehigh University/Global Villa 543851-78002		\$14,640
	University of Colorado 1555555 PO 1000879023		\$10,617
	University of Colorado 1555338 - PO 1000856931		\$30,094
	University of Colorado Denver 1555337/PO#1000855308		\$140,891
	University of Hawaii at Manoa MA 1391		\$27,727
47.070	Computer and Information Science and Engineering		\$759,906
	University of North Texas GF30041-1		(\$703)
47.074	Biological Sciences	\$253,831	\$8,288,717
	Cary Institute of Ecosystem Studies 3340-200201873		\$31,865
	USDA Rocky Mountain Research Station 16-JV-11221633-029		\$37,662
47.075	Social, Behavioral, and Economic Sciences	\$253,972	\$623,845
	Bentley University 2313-02		\$4,088
47.076	COVID-19 - Education and Human Resources	\$88,343	\$135,490
47.076	Education and Human Resources	\$8,654	\$2,419,699
	Aaniih Nakoda College MSU-3753		\$138,992
	Chief Dull Knife College		\$890
	Colorado State University 96702-5		\$33,405
	Mathematical Association of America MAA 3-8-710-891		\$17,664
	Michigan State University RC104101MONTANA		\$63,090
	Murray State University MOA No. 2020-075		\$15,719
	Salish Kootenai College SKC-19-UOM-003		\$1,700
	Salish Kootenai College HRD 1826637		\$61,565
	Washington State University 131202 G004100		\$8,893
	Washington State University 131202 G004098		\$9,517
47.078	Polar Programs	\$12,937	\$303,187
47.079	Office of International Science and Engineering		\$6,348
47.083	Office of Integrative Activities	\$1,368,883	\$6,369,568
	North Carolina State University 2019-3154-01		\$32,275
	South Dakota School of Mines SDSMT-MSU-20-10		\$218,933
	South Dakota School of Mines SDSMT-MSU 18-04		\$447,326
	Trustees of Dartmouth College R896/R897/1632738		\$129,705

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Research and Development Cluster			Amount to Subrecipients	Expenditures
	University of Alaska Fairbanks	539392		\$1,899
	University of Alaska Fairbanks	P0547157		\$3,314
	University of Nebraska	25-6222-0984-050	\$10,811	\$419,006
	University of Wyoming	1004809-UM		\$36,861
SOCIAL SECURITY ADMINISTRATION			NATIONAL SCIENCE FOUNDATION TOTAL	\$28,219,375
96.007	Social Security Research and Demonstration			
	University of Wisconsin-Madison	0000000424		\$28,842
	University of Wisconsin-Madison	0000001149		\$75,453
	University of Wisconsin-Madison	0000000670		\$113,035
			SOCIAL SECURITY ADMINISTRATION TOTAL	\$217,330
			RESEARCH AND DEVELOPMENT CLUSTER TOTAL	\$180,641,655
			SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TOTAL	\$6,535,824,509

The accompanying notes are an integral part of this schedule.

STATE OF MONTANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the state of Montana under programs of the federal government for the fiscal year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (referred to as the "Uniform Guidance").

Because this schedule presents only a selected portion of the operations of the state of Montana, it is not intended to, and does not present, the financial positions, change in net position, or, where applicable, its cash flows for the fiscal year ended June 30, 2021.

Significant Accounting Policies

Expenditures shown on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting, except as noted below. Under the modified accrual basis of accounting, expenditures are generally recorded in the accounting period in which the liability is incurred. However, there are some payments, such as compensated absences, that are only recorded when the payment is due.

Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Montana University System uses full accrual accounting to report campus federal expenditure activity such as the Student Financial Assistance, Education and Stabilization Funds, and Research and Development programs. Certain other programs of the state, such as the Unemployment Insurance, Section 8 Voucher, and Section 8 Project-Based programs, also use the full accrual basis of accounting. Under the full accrual basis of accounting, expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Loan and Loan Guarantee Programs (Note 2), Federal Excess Personal Property (Note 7), and the Department of Defense Firefighting Property (Note 8) are presented using the basis of accounting described in each note. The Books for the Blind and Physically

Handicapped Program (Note 9) is not presented on the Schedule of Expenditures of Federal Awards but is provided as additional information regarding the types of donations received by the state as part of this federal program.

The state of Montana did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Coronavirus Relief Programs

The state of Montana expended \$2,124,534,188 under the various Coronavirus relief programs in fiscal year 2021. These programs are indicated by a "COVID-19" reference in front of the federal program name on the fiscal year 2021 Schedule of Expenditures of Federal Awards.

A summary of the federal programs that received funding under the various Coronavirus relief programs is shown on the following page:

ALN#	Coronavirus Relief Programs	FY 2021 Expenditures
10.250	Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	\$4,725
10.542	Pandemic EBT Food Benefits	\$27,514,501
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	\$1,240,105
10.558	Child and Adult Care Food Program	\$468,657
10.559	Summer Food Service Program for Children	\$29,000,000
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	\$155,412
10.568	Emergency Food Assistance Program (Administrative Costs)	\$81,032
11.611	Manufacturing Extension Partnership	\$175,013
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	\$4,291
14.231	Emergency Solutions Grant Program	\$2,551,796
14.241	Housing Opportunities for Persons with AIDS	\$160,592
14.871	Section 8 Housing Choice Vouchers	\$100,342
16.034	Coronavirus Emergency Supplemental Funding Program	\$2,108,937
17.225	Unemployment Insurance	\$565,892,687
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	\$154,227
20.106	Airport Improvement Program	\$396,524
20.509	Formula Grants for Rural Areas	\$17,448,893
21.019	Coronavirus Relief Fund	\$1,136,109,048
21.023	Emergency Rental Assistance Program	\$10,442,585
21.027	Coronavirus State Fiscal Recovery Fund (CSFRF)	\$15,053,295
45.025	Promotion of the Arts Partnership Agreements	\$424,400
45.310	Grants to States	\$3,121
47.076	Education and Human Resources	\$135,490
59.037	Small Business Development Centers	\$655,569
64.015	Veterans State Nursing Home Care	\$213,048
84.007	Federal Supplemental Educational Opportunity Grants	\$2,000
84.425	Education Stabilization Fund	\$94,522,394
90.404	2018 HAVA Election Security Grants	\$222,373
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	\$19,243
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	\$699,571
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	\$1,943,566
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	\$1,454
93.052	National Family Caregiver Support, Title III, Part E	\$358,170
93.107	Area Health Education Centers	\$89,488
93.136	Injury Prevention and Control Research and State and Community Based Programs	\$473,957
93.268	Immunization Cooperative Agreements	\$3,942,598
93.301	Small Rural Hospital Improvement Grant Program	\$927,478
93.310	Trans-NIH Research Support	\$381,056
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	\$35,848,347
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	\$1,648,162
93.359	Nurse Education, Practice Quality and Retention Grants	\$58,840
93.498	Provider Relief Fund	\$3,583,539
93.568	Low-Income Home Energy Assistance	\$355,126
93.569	Community Services Block Grant	\$583,981
93.575	Child Care and Development Block Grant	\$3,455,686
93.665	Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	\$652,798
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	\$94,613
93.747	Elder Abuse Prevention Interventions Program	\$1,761
93.767	Children's Health Insurance Program	\$4,190,112
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	\$342,493
93.778	Medical Assistance Program	\$69,994,744
93.859	Biomedical Research and Research Training	\$13
93.889	National Bioterrorism Hospital Preparedness Program	\$988,721
93.917	HIV Care Formula Grants	\$40,156
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	\$42,045,221
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	\$46,572,237
	Total Coronavirus Relief Programs	\$2,124,534,188

The state also received \$6,936,454 in donated supplies and equipment under Assistance Listing Number (ALN - formerly CFDA Number) #97.036, Disaster Grants - Public Assistance (Presidentially Declared Disasters). Of this amount, \$4,087,031 was distributed to non-state entities. These amounts are not shown on the Schedule of Expenditures of Federal Awards.

Families First Coronavirus Response Act

Section 6008 of the Families First Coronavirus Response Act provided a temporary 6.2 percentage point increase to each qualifying state and territory's Federal Medical Assistance Percentage (FMAP) under section 1905(b) of the Social Security Act. In fiscal year 2021, the state paid an additional \$69,994,744 for the Medical Assistance Program (ALN #93.778).

Food Distribution Program

The amount reported for Food Distribution programs (ALN #10.555, #10.565, #10.567, #10.569, and #93.053) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the state to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. Montana also distributes food commodities to other states in the western region of the United States. During fiscal year 2021, Montana distributed \$479,752 of food commodities under ALN #10.567 to other states.

The state of Montana distributed \$10,754,862 in commodities in fiscal year 2021. The June 30, 2021 value of commodities stored at the state's warehouse is \$5,752,070, for which the state is liable in the event of loss. The state has insurance to cover this liability.

Minority Health and Health Disparities Research

The amount reported for the Minority Health and Health Disparities Research Program (ALN #93.307) includes endowment funds of \$9,375,000, along with interest earned on the endowment. The entire endowment amount is reported as expended each year, as the funds are restricted for the life of the endowment.

Immunization Cooperative Agreements

The amount reported for the Immunization Cooperative Agreements (ALN #93.268) includes the dollar value of vaccine doses received during fiscal year 2021. The state used the Centers for Disease Control's price list to calculate the value of doses received. During fiscal year 2021, Montana received 188,102 vaccine doses valued at \$10,680,679.

Note 2. Loan and Loan Guarantee Programs

The following loan and loan guarantee programs are reported on the Schedule of Expenditures of Federal Awards at their July 1, 2020 beginning loan balance plus the amount of any interest subsidy, cash, or administrative cost allowance received during fiscal year 2021:

ALN #	Federal Loan/Loan Guarantee Program State Revolving Loans	FY 2021 Ending Balance
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$ 319,274,382
66.468	Capitalization Grants for Drinking Water State Revolving Funds	\$ 182,779,058
	Total State Revolving Loan Programs	\$ 502,053,440

ALN #	Federal Loan/Loan Guarantee Program Student Financial Assistance	FY 2021 Ending Balance
	University Loans	
84.038	Federal Perkins Loan Program_Federal Capital Contributions	\$19,262,938
93.264	Nurse Faculty Loan Program (NFLP)	\$3,331
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	\$258,273
93.364	Nursing Student Loans	\$2,350,002
	Total Student Financial Assistance Programs	\$21,874,544

Perkins Loan Programs

Under the Perkins Loan Extension Act of 2015, universities participating in this program are no longer permitted to make Perkins Loan disbursements after June 30, 2018. Institutions may choose to continue servicing their existing Perkins Loans until such time the institution's outstanding loans have been paid in full or otherwise retired. Both Montana State University and the University of Montana have chosen to continue to service their current loans.

Economic Adjustment Assistance Program

The Economic Adjustment Assistance Program (ALN #11.307) consists of two separate awards, which are reported on the Schedule of Expenditures of Federal Awards at the June 30, 2021 ending loan balances.

The amount of loans outstanding as of June 30, 2021 is \$318,254 for award number 05-19-02445 and \$3,082,439 for award number 05-79-73005. The calculation for each of these loan balances is as follows:

Award Number: 05-19-02445		
State Name = EDA Revolving Loan		
Federal Grantor = US Department of Commerce		
Federal Program Name = Title IX SSED Revolving Loan Fund		
Federal Catalog Number = 11.307		
RLF Loan Balance FYE 2021		\$ 262,407
Cash & Investments FYE 2021		\$ 185,838
FY 2020 Admin paid out of RLF Income		\$ -
Unpaid Principal of loans written of during FY		\$ -
		\$ 448,245
Federal Percentage		71%
Federal Share of Revolving Loan Fund		\$ 318,254

Award Number: 05-79-73005		
State Name = EDA Revolving Loan		
Federal Grantor = US Department of Commerce		
Federal Program Name = Economic Adjustment Assistance		
Federal Catalog Number = 11.307		
RLF Loan Balance FYE 2021		\$ 5,050,071
Cash & Investments FYE 2021		\$ 1,089,475
FY 2021 Admin paid out of RLF Income		\$ 25,332
Unpaid Principal of loans written of during FY		\$ -
		\$ 6,164,878
Federal Percentage		50%
Federal Share of Revolving Loan Fund		\$ 3,082,439

Other Federal Loans

The following loans, originally funded through federal programs, do not have any continuing federal compliance requirements imposed on the state, other than the loan

repayments. These loans are not reported on the Schedule of Expenditures of Federal Awards:

Tongue River –Northern Cheyenne Tribal Loan

The Northern Cheyenne Tribe and the Department of Natural Resources and Conservation entered into an agreement on July 1, 1994 in which the tribe agreed to loan the state of Montana \$11,300,000 of federal funds appropriated as part of the Northern Cheyenne Indian Reserved Water Rights Settlement. The loan is to assist the state in financing costs of the Tongue River Dam project. No expenditures of tribal loan funds were incurred on project costs during fiscal year 2021. The amount of the loan outstanding as of June 30, 2021 is \$4,925,641.

Middle Creek Dam Rehabilitation Project Loan

The Department of Natural Resources and Conservation and the U.S Department of the Interior, Bureau of Reclamation (BOR), entered into an agreement on September 21, 1990. The BOR agreed to loan the state of Montana "...a sum of money not to exceed the lesser of (1) \$3,023,925 plus reimbursable interest during construction, or (2) the actual cost of the project, including reimbursable interest during construction..." The total loan repayable is \$2,990,129, and reimbursable interest during construction is \$281,857. As of June 30, 2021, the loan outstanding is \$1,600,735, and reimbursable interest during construction is \$158,293.

Note 3. Type A Federal Programs

The state of Montana issues a biennial single audit report. The Montana Single Audit report for the two fiscal years ended June 30, 2021 will be issued by May 31, 2022.

The Type A program threshold will be determined based on actual expenditures incurred during the two fiscal years ended June 30, 2021.

Note 4. Assistance Listing Number

The Assistance Listing Number (formerly CFDA number) is a unique number assigned to identify a federal assistance listing.

The complete Assistance Listing Number is a five-digit number, where the first two digits represent the federal agency and the second three digits represent the program. Programs with an unknown ALN number were assigned a number in the format **.UXX or **.RD. Also refer to Note 13.

Note 5. Program Clusters

As defined by 2 CFR section 200.1, a cluster of programs is a grouping of closely related programs that share common compliance requirements. Except for the Student Financial Assistance Cluster, clusters of programs are presented on the Schedule of Expenditures of Federal Awards either within their respective federal agency (for non-research and development programs) or by federal agency and major subdivision (for research and development programs).

Student Financial Assistance Cluster

Amounts reported for the Student Financial Assistance Cluster include programs administered by both the Department of Education and the Department of Health and Human Services. These clusters are shown separately, within their respective federal agencies, on the Schedule of Expenditures of Federal Awards.

The combined Student Financial Assistance Cluster includes the following programs:

ALN #	Student Financial Assistance Cluster	FY 21 Expenditures
84.007	Federal Supplemental Educational Opportunity Grants	\$1,721,057
84.033	Federal Work-Study Program	\$1,634,018
84.038	Federal Perkins Loan Program_Federal Capital Contributions	\$23,678,953
84.063	Federal Pell Grant Program	\$36,026,968
84.268	Federal Direct Student Loans	\$141,309,606
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	\$3,962
93.264	Nurse Faculty Loan Program (NFLP)	\$6,062
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	\$276,427
93.364	Nursing Student Loans	\$2,767,378
93.925	Scholarships for Health Professions Students From Disadvantaged Backgrounds - Scholarships for Disadvantaged Students (SDS)	\$325,318
	Total Student Financial Assistance Cluster	\$207,749,749

Note 6. Research and Development Grants

Research and Development includes all research activities, both basic and applied, and all development activities that are performed by a non-federal entity. Research is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. The term research also includes activities involving the training of individuals in research techniques, where such activities utilize the same facilities as other research and development activities, and where such activities are not included in the instruction function.

Development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes. Federal awards that meet the research and development criteria are listed in the Research and Development Cluster.

Note 7. Federal Excess Personal Property

The state of Montana receives Federal Excess Personal Property (FEPP). The title to this property remains with the federal agency. In accordance with General Services Administration guidelines, the amounts are presented at fair market value at the time of receipt by the state, which is determined to be 23.34% of the original acquisition cost of the property.

Property received under ALN #81.UXX, Miscellaneous Non-major Grants, is shown at its fair market value at the time of receipt.

The following is a list of the FEPP received by the state of Montana during fiscal year 2021. The negative amount reflects property sold (title transferred at public sale) or other disposition.

ALN #	Program	FY 21 Amount	FY 21 Ending Inventory
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	\$5,415	\$129,993
10.500	Cooperative Extension Service	\$0	\$3,157
10.664	Cooperative Forestry Assistance	(\$4,517)	\$4,483,019
10.UXX	Miscellaneous – Non-major Grants	\$0	\$136,426
15.UXX	Miscellaneous – Non-major Grants	\$0	\$3,553
39.003	Donation of Federal Surplus Personal Property	\$164,080	\$357,884
81.UXX	Miscellaneous – Non-major Grants	\$0	\$2,370
43.UXX	Miscellaneous – Non-major Grants	(\$4,376)	\$660,814
47.UXX	Miscellaneous – Non-major Grants	(\$7,877)	\$114,737

Note 8. Department of Defense Firefighting Property

The Department of Natural Resources and Conservation (DNRC) receives Department of Defense Firefighting Property (FFP). The title to this property is transferred to the DNRC. In accordance with General Services Administration guidelines, the amounts are presented at fair market value at the time of receipt by DNRC, which is determined to be 23.34% of the original acquisition cost of the property. The following is the value of FFP received by the state of Montana during fiscal year 2021:

ALN #	Program	FY 21 Amount	FY 21 Ending Inventory
12.UXX	Miscellaneous – Non-major Grants	\$140,212	\$3,360,350

Note 9. Books for the Blind and Physically Handicapped

The Montana State Library receives “talking book” machines, cassette books, accessories, and magazines from the federal government under the Books for the Blind and Physically Handicapped Program (ALN #42.001). These items are then distributed to provide library services to blind and physically handicapped individuals. The federal government retains title to these items. The approximate value of the items in inventory (not distributed to individuals) on June 30, 2021 was \$929,210.

Since this program is considered a federal “use of equipment” agreement, the accompanying Schedule of Expenditures of Federal Awards does not include this amount.

Note 10. Unemployment Benefits

The unemployment compensation system is a federal-state partnership. State unemployment insurance laws must conform to certain provisions of the federal law. Federal funds are expended for administrative costs. State unemployment taxes must be deposited into a state account in the Federal Unemployment Trust Fund and are used only to pay benefits. State Unemployment Insurance (UI) funds, as well as federal funds, are included on the Schedule of Expenditures of Federal Awards.

The following schedule provides a breakdown of the state and federal portions of the total expenditures recorded for the Unemployment Insurance Program (ALN #17.225).

State UI Expenditures	\$ 180,116,013
Federal UI Expenditures	<u>578,239,171</u>
Total	\$ 758,355,184

Note 11. Subgrants to State Agencies

Federal assistance transferred from one Montana state agency to another Montana state agency is shown only once on the Schedule of Expenditures of Federal Awards.

Federal assistance received from non-state sources, which are considered subgrants by the awarding agency, are treated as pass-through grants to the state. These pass-through awards are listed below the direct federal awards reported on the Schedule of Expenditures of Federal Awards. Pass-through grant numbers are included for those awards that were assigned an identifying number.

Note 12. Subgrants to Non-State Agencies

Federal assistance transferred from a Montana state agency or university to a non-state agency, such as a city, county, tribal government, or nonprofit organization, is identified in the Amount to Subrecipients column shown in the Schedule of Expenditures of Federal Awards. These amounts are included in the expenditure totals shown on the report.

The Amounts to Subrecipients includes federal assistance transferred from a Montana state agency or university that was originally received as a subgrant from another Montana state agency or university. These amounts are not included in the expenditure totals shown on the report, since the original award is only shown once on the Schedule of Expenditures of Federal Awards, as described in Note 11 above.

A summary of amounts that were subgranted to a non-state agency, such as a city, county, tribal government, or nonprofit organization, which were made from awards originally received from another Montana state agency or university, is shown below:

ALN#	Federal Program	Amount to Subrecipients
Non Research and Development		
10.170	Specialty Crop Block Grant Program - Farm Bill	\$9,615
16.833	National Sexual Assault Kit Initiative	\$8,881
21.019	Coronavirus Relief Fund	\$719,734,982
84.048	Career and Technical Education -- Basic Grants to States	\$3,140,770
93.667	Social Services Block Grant	\$156,504
93.788	Opioid STR	\$317,970
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	\$332,918
	Total - Non Research and Development	\$723,701,640
Research and Development Cluster		
15.611	Wildlife Restoration and Basic Hunter Education	\$18,469
20.205	Highway Planning and Construction	\$22,000
93.859	Medical Assistance Program	\$2,700
	Total Research and Development Cluster	\$43,169

Note 13. Federal Awards Not Having an Assistance Listing Number

The following schedules contain contract or grant numbers associated with awards that did not have an Assistance Listing Number and were assigned either a **.UXX or **.RD number in the Schedule of Expenditures of Federal Awards. Not all **.UXX or **.RD awards reported on the SEFA had a grant or contract number. Also refer to Note 4.

Schedule of Unknown Federal Assistance Listing Numbers for Research and Development Awards (XX.RD)

A-241

Federal Agency	State Agency	Contract or Grant Number	Amount
DEPARTMENT OF AGRICULTURE			
10.RD	Montana State University - Bozeman	17-CS-11010200-019	\$870
		17-CS-11011100-012	\$5,525
		17-JV-11221636-068	\$264
		18-CS-11011800-017	\$5,446
		19-CS-11011100-031	\$2,983
		2021-21031900002	\$31,911
		31236-Z8409102	\$23
		313-0873	\$48,465
		59-0206-5-003	\$7
		59-0206-5-004	(\$70)
		669618	\$200,000
		70RSAT19TPIA00001 / CPO#0001	\$1,837,607
		70RSAT19TPIA00001 / CPO#0002	\$975,685
		70RSAT19TPIA00001 / CPO#0003	\$285,843
		75N91019P00691	\$6,509
		A17-0837-S001	\$14,031
		AG-3151-C-17-0012	\$76,132
		ARM212-MSU/ PO# EP0166321	\$5,479
		FA701418C5000	\$200,813
		FA701418C5004	\$193,831
		G19AC00047	\$27,726
		M67854-18-3-1330	\$2,163,509
		MSU-ARF ORBC MOU	\$5,010
		S2-1025-19-01	\$52,367
		SUBCONTRACT NUMBER 313-0742	\$259,657
		SUBK-MSU-VDHWFS2-01-012720	\$151,635
		W912HZ-18-2-0010	\$13,298
		Unknown	\$55,841
DEPARTMENT OF DEFENSE			
12.RD	University of Montana - Missoula	N62473-19-2-0005	\$146,206
		SC1812501	\$85,090
		W911KB-19-2-1500	\$750,344
		W911KB-19-2-1501	\$3,918
		W9126G-19-2-0035	\$18,901
		W9126G-20-2-0016	\$146,346
		W9128F20F0402	\$516,999
		W9128F20P0030	\$81,277
	Montana State University - Bozeman	FA701420C0048	\$216,964
		FA701420C0045	\$107,651
DEPARTMENT OF ENERGY			
81.RD	Montana Technological University	1663302	\$1,726
		1922244	\$23,786
		2151826	\$29,563
		2183707	\$51,420
	University of Montana - Missoula	LMCP7514	\$14,986
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.RD	University of Montana - Missoula	75N3019C00045 Mod #4	\$480,490
		75N93019C00045 COVID	\$85,173
		75N93019C0045	\$1,743,497
		75N93020C00039	\$1,128,244
		GENFD0001583403	\$663,544
		HHSN272201400050C	\$1,442,521
		HHSN272201800048C	\$3,595,434
	Department of Public Health and Human Services	HHS283201600001C	\$123,993
DEPARTMENT OF THE INTERIOR			
15.RD	University of Montana - Missoula	100006	(\$1,460)
		100130	\$189,347
		100145	\$161,908
		1361 100182	\$48,256
		1362	\$108,056
		140B0619F0343	\$4,704
		140F0619C0021	(\$1,014)
		140F0619P0068	\$26,315
		140F0619P0069	(\$878)
		140L0618F0380	(\$1,328)
		140L0619F0248	\$43,009
		140L0619F0249	\$195,859

Schedule of Unknown Federal Assistance Listing Numbers for Research and Development Awards (XX.RD)

Federal Agency	State Agency	Contract or Grant Number	Amount
		140L0619F0291	\$6,742
		140L0619F0292	\$256,525
		140L0619F0301	\$418,065
		140L0619F0302	\$6,237
		140L0619F0342	\$6,170
		140L0619F0359	\$48,942
		140L0619F0360	\$11,506
		140L0619F0361	\$7,252
		140L0619F0378	\$12,320
		140L0620F0263	\$104,769
		140L0620F0364	\$28,217
		140L0620F0399	\$71,484
		140L0620F0500	\$44,839
		140L0620F0505	\$159
		140L0620F0519	\$2,643
		140L0620F0527	\$17,650
		140L619F0285	\$115,047
		33172.002	\$34,464
		33172.003	\$31,896
		33172.005	\$11,403
		33172.007	\$39,775
		33172.01	\$19,095
		50002.001	(\$1,434)
		50002.006 TO 4	\$44,755
		50002/001	\$162,898
		50002/001 140L0620F0455	\$41,074
		G-63747-01	\$60,935
		L0205A-A	\$880
		L0212A-A	\$550,899
		L02226A-A	\$24,862
		L02312A-A	\$22,371
		L0233A-A	\$288,222
		MT-026-FY19	\$20,000
		Unknown	\$1,562
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
43.RD	University of Montana - Missoula	1422120	\$178,744

*Schedule of Unknown Federal Assistance Listing Numbers (**.UXX)*

<i>Federal Agency</i>		<i>State Agency</i>	<i>Contract or Grant Number</i>	<i>Amount</i>
DEPARTMENT OF AGRICULTURE				
	10.U03	Department of Natural Resources and Conservation	16-FI-11010200-019	\$5,231
	10.U06		16-FI-11011500-026	\$362
	10.U07		17-FI-11011600-013	\$6,774
	10.U08		17-FI-11015200-003	\$21,875
	10.U09		18-FI-11011600-026	\$12,775
	10.U10		18-FI-11015200-008	\$14,746
	10.U12		DNRC-BLM-18-001	\$393
	10.U13	Montana State University - Bozeman	19-CS-11015600-018	\$258
	10.U14	Montana Technological University	17-CS-11015600-005	\$2,500
	10.U15	Department of Fish, Wildlife and Parks	12034320P0030	\$9,000
DEPARTMENT OF DEFENSE				
	12.U02	University of Montana - Missoula	W9128F-17-2-0028	\$5,947
	12.U05	Department of Fish, Wildlife and Parks	20-105P	\$1,334,112
	12.U06		20-144P	\$177,685
	12.U08		W9128F-20-D-0025	\$186,775
	12.U11	Department of Natural Resources and Conservation	Unknown	\$140,212
	12.U12	Department of Fish, Wildlife and Parks	21-129P	\$558,736
	12.U13		21-179P	\$40,847
	12.U14		W9128D-20-D-0025	\$93,447
DEPARTMENT OF EDUCATION				
	84.U01	Office of Public Instruction	Contract # ED-IES-14-C-0086	\$97,230
DEPARTMENT OF ENERGY				
	81.U02	Department of Fish, Wildlife and Parks	20-18G	\$25,917
	81.U03		00-UGPR-34	\$152,134
	81.U05		21-066G	\$67,557
	81.U06	Department of Natural Resources and Conservation	0201.20.068676	\$33,771
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	93.U02	Department of Public Health and Human Services	HHSF223201810079C	\$171,714
	93.U03	University of Montana - Missoula	Unknown	\$7,239
DEPARTMENT OF THE INTERIOR				
	15.U01	Department of Fish, Wildlife and Parks	140G0219P0131	\$89,950
	15.U02		140L3620P0006	\$5,000
	15.U03		140P1321P0027	\$2,989
DEPARTMENT OF TREASURY				
	21.U01	Department of Administration	Unknown	\$4,465
LIBRARY OF CONGRESS				
	42.U02	Montana Historical Society	FED 19-016	\$8,273

STATE OF MONTANA

STATE RESPONSES



**MONTANA
DEPARTMENT OF
ADMINISTRATION**

State Financial Services Division

Greg Gianforte, Governor
Misty Ann Giles, Director

March 28, 2022

Angus Maceiver, Legislative Auditor
Legislative Audit Division
State Capitol, Room 160
PO Box 201705
Helena MT 59620-1705

RECEIVED
MAR 28 2022
LEGISLATIVE AUDIT DIV.

Re: Financial Audit 21-01A, State of Montana, for the year ended June 30, 2021

Dear Mr. Maciver:

The Department of Administration would like to thank the Legislative Audit Division for auditing the State financial statements for the year ended June 30, 2021. We appreciate your staff and the professionalism demonstrated during the audit process.

The Department of Administration's response the recommendation and to the items reported under the Compliance of Other Matters, are as follows:

Recommendation #1

We recommend the Department of Administration State Financial Services Division enhance internal controls to ensure:

- A. Staff consider the underlying nature of UI enterprise fund activity when preparing the basic financial statements, especially in years where the fund has new or unusual activity; and
- B. Adjustments made for errors in agency account records do not duplicate adjustments made through other processes completed while preparing the basic financial statements and are appropriate to correct the errors.

Response

The Department of Administration State Financial Services Division concurs with the recommendation. Procedures for the UI enterprise fund activity will be enhanced to appropriately identify unusual activity. Procedures will also be updated to take additional steps to ensure journals provided by agencies are not duplicated.

**Statewide Accounting
Bureau**
Mitchell Bldg, Rm 255
P.O. Box 200102
Helena, MT 59620
406-444-3092

**Financial Services
Technology Bureau**
Mitchell Bldg, Rm 295
P.O. Box 200102
Helena, MT 59620
406-444-3092

**Local Government
Services**
Mitchell Bldg, Rm 255
P.O. Box 200547
Helena, MT 59620
406-444-9101

**State Procurement
Bureau**
Mitchell Bldg, Rm 165
P.O. Box 200135
Helena, MT 59620
406-444-2575

Compliance of Other Matters

The Public Employee's Retirement Board (PERB) and the Montana Public Employee Retirement Administration (MPERA) have taken actions to address the material violations of finance-related legal provisions, resulting from the retirement systems that are not actuarially funded, as required by the State Constitution. PERB has a policy to recommend funding increases to the Montana Legislature to address financial stability when plans do not amortize within 30 years.

Again, we thank you for your assistance this financial reporting period. We look forward to working with your division during future audit processes.

Sincerely,



Misty Ann Giles, Director

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

GREG GIANFORTE
GOVERNOR



CAPITOL BUILDING - P.O. Box 200802
HELENA, MONTANA 59620-0802

March 24, 2022

RECEIVED

MAR 24 2022

LEGISLATIVE AUDIT DIV.

Mr. Angus Maciver, Legislative Auditor
Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena, MT 59620-1705

RE: State of Montana Financial Audit (#20-01B)

Dear Mr. Maciver:

The Office of Budget and Program Planning has reviewed the State of Montana Financial Audit for the fiscal year ended June 30, 2021. Our office is pleased with the unmodified opinion on our Schedule of Expenditures of Federal Awards, in relation to the financial statements as a whole, presented in this report.

Thank you for your work on this audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ryan Osmundson".

Ryan Osmundson
Budget Director

cc: Sonia Powell, Single Audit Coordinator



Montana Department of
LABOR & INDUSTRY

March 22, 2022

Angus Maciver, Legislative Auditor
Legislative Audit Division
Room 160, State Capitol
PO Box 201075
Helena, MT 59620-1705

RECEIVED
March 25, 2022
LEGISLATIVE AUDIT DIV.

RE: Financial Audit 20-01B

Dear Mr. Maciver:

The Department of Labor & Industry has reviewed the State of Montana Financial Audit for the fiscal year ended June 30, 2021.

The Department of Labor & Industry's response to the item reported on the Internal Control and Compliance is as follows:

The Department routinely reviews internal controls over financial reporting. While these internal controls did identify the errors in the year end financial reports, they were not identified until after the end of the fiscal year. To address this issue and improve the internal controls in place, the Department has implemented additional measures that include:

- Additional training with staff on fiscal year end processes and procedures to ensure staff understand the accounting entries necessary at the end of each year, as well as how those entries are made.
- Implementing additional internal deadlines and review processes for fiscal year end accounting entries.

In addition to the controls mentioned above, DLI has implemented more defined processes for reconciling Unemployment Insurance deposits in the Trust Fund to the cash accounts in SABHRS.

Sincerely,

Laurie Esau
Commissioner



Department of Public Health and Human Services

Director's Office ♦ PO Box 4210 ♦ Helena, MT 59620 ♦ (406) 444-5622 ♦ Fax: (406) 444-1970
<https://dphhs.mt.gov>

Greg Gianforte, Governor

Adam Meier, Director

Date: March 21, 2022

Angus Maciver, Legislative Auditor
 Legislative Audit Division
 Room 160, State Capitol
 PO Box 201075
 Helena, MT 59620-1705

RECEIVED

March 28, 2022

LEGISLATIVE AUDIT DIV.

RE: Statewide Audit – Internal Control Over Financial Reporting (P-EBT)

Dear Mr. Maciver:

The Department of Public Health and Human Services has reviewed the State of Montana Financial Audit for the fiscal year ended June 30, 2021.

The Department of Public Health and Human Services' response to the item reported on Internal Control Over Financial Reporting is as follows:

The department continues to strengthen internal controls related to financial reporting. The department agrees that reporting program expenditures in the incorrect federal assistance listing in the SEFA increases the risk of improper identification of major federal programs requiring audit attention under the Single Audit Act of 1996 and Uniform guidance. The department has corrected the error by creating a new fund and submitting a correction to the state's SEFA. To address this risk the department is implementing the following additional internal control:

- Revision of procedure and forms associated with the creation of chartfields in the department. The updated form requires a program submit the associated CFDA number anytime a new accounting project is requested.

We thank you for your work on this audit and appreciate the opportunity to add further comment on the audit findings.

Sincerely,

Adam Meier,
 Director, DPHHS